

APPENDIX 1



Inside Housing Solutions

Westminster City Council

Private Rented Sector Market Analysis

April 2016

Report

Background

Introduction

1. This research and report for Westminster City Council (WCC) was carried out by Inside Housing Solutions Ltd (IHS). IHS are a housing consultancy company specialising in dealing with homelessness, the private rented sector and in particular working with landlords and local authorities on affordable and sustainable procurement in the private rented sector across the UK. In the past seven years IHS have worked with over 70 housing organisations, charities, social enterprises and local authorities specifically reviewing their approach to procuring in the private rented sector, and developing schemes to assist them with stabilising the costs of their homelessness services.
2. The aims of the research can be summarised as to:
 - a. Help WCC better understand where it can procure new private rented housing to meet its statutory homelessness duties, both for temporary accommodation and more permanent housing for low income homeless households, including those affected by the household benefit cap.
 - b. Ensure household size, location, cost, sustainability and availability of housing of different kinds, and the suitability of different locations are, so far as possible in an overview of this kind, taken into account in developing this understanding.
 - c. Help the council in meeting its legal duties as a local housing authority (particularly relating to suitability criteria) and ensure these elements are a factor in all research outputs.
 - d. Assess the approach taken by landlords and agents to letting to clients in receipt of benefits, to ensure a practical reality check for the research outputs.
3. The approach taken is outlined in the 'Methodology' section of the report below. The findings in this research are indicative and are intended to give an overview of the areas the Council may consider procuring new properties in future.
4. The report contains a huge amount of data. For example, during this report, in the region of 3,000 searches were carried out and other aspects of the private rented sector were analysed, using a number of variables including: locations using postcode areas; properties by numbers of bedrooms; four filters of affordability; filtering by broad proxy measures of suitability including economic data and ethnicity data.
5. Broad information and summaries of our findings from each Procurement Band, (a term defined later in this report), are contained within the section of the report for each individual band. A summary of overall conclusions are contained in this report in paragraphs 29 -38.

The PRS in Westminster

6. The City of Westminster has a large and growing private rented housing sector (PRS) comprising over 41,949 households or 39.7% of all households by tenure (2011 Census). This has risen considerably from 32,976 households (or 36% of households) in 2001. The results of the 2011

Census, mean that Westminster City Council has the largest private rented sector in England & Wales. At the same time, rents are among the highest in London (median rents are exceeded only by those in Kensington and Chelsea) and, in common with much of Greater London, are driven upwards by demand. Westminster’s PRS is large, but high cost (see Table 2 below).

- The below table sets out the demand profile in Westminster City Council. At the same time less than 600 existing social homes become available each year to let to all groups in need of housing.

Table 1: Homelessness Demand Profile						
Demand Profile	31.3.11	31.3.12	31.3.13	31.3.14	31.3.15	YTD 31.1.16
Homelessness Applications (p.a.)	1170	1445	1338	1002	1053	793
Homelessness Acceptances (p.a.)	430	539	813	705	617	451
Households in Temporary Accommodation	1726	1910	2450	2283	2397	2414

- Despite the growing PRS sector, there is not enough affordable supply of privately rented properties for households on low incomes, including those in receipt of benefits, to keep up with demand. There is also a growing disparity between Local Housing Allowance (LHA) levels, which are intended to reflect the lower end of the PRS market, with actual market rent levels, as set out in the table below.

Table 2: Rents and interplay with benefits				
Beds	LHA rate (capped)	Average Weekly Borough Lower Quartile Market Rent (GLA rents map)	Difference	Total weekly household benefit cap
1	£260.64	£365	£104.36	Current £350 singles £500 families
2	£302.33	£481	£178.67	
3	£354.46	£675	£320.54	
4+	£417.02	£898	£480.98	Future (London) £296 singles £442 families

- This report researched rent levels and affordability in Westminster, London and many urban areas across England. However, it is important to note that we did not judge affordability by a household’s actual ability to pay the rent, as each household will of course make their own decisions on prioritising spend vs. income. Therefore we used current LHA levels (which reflects allowable costs for housing for households in receipt of benefits) and current temporary accommodation subsidy levels (how much central Government pays local authorities to meet its statutory obligations). However, it should be noted that there is uncertainty about the future of the temporary accommodation subsidy regime, which is likely to change with the introduction of Universal Credit, potentially ending the separate subsidy regime analysed in this research. This

research analyses affordability under the current regime, but this should be taken into account in the findings.

Accessing the Private Rented Sector

10. There are additional barriers to accessing the PRS for households on low incomes, including those in receipt of benefits, in terms of its costs, including initial deposits, fees required, referencing requirements, high rents and in some cases, landlords' approaches towards letting to benefit claimants. A recent survey¹ of PRS landlords found that 63% of landlords surveyed said that they would prefer not to let to housing benefit claimants. In high rent and high demand areas, where there are competitive markets, landlords may be less likely to let properties to people in receipt of benefits where there a greater number of potential tenants and renting options to choose from.
11. Therefore, one of the key practical aspects of this research was to ensure that as well as undertaking desktop research into rent levels and affordability, we undertook a practical reality check to take account of the approach taken by landlords and agents to letting to households in receipt of benefits. Details were shared with the Council.
12. It should be noted that all London boroughs have statutory obligations to find housing for homeless households and are subject to similar market conditions outlined above that mean that securing sufficient housing in-borough to meet need is not possible for most boroughs. To prevent boroughs from raising costs even where properties have been identified for procurement in other London boroughs, boroughs should follow the principles in London Councils' Inter Borough Temporary Accommodation Agreement whereby all boroughs agree not to offer a landlord or supplier more than the home borough offers for a property in the area. This means that in practice, although a property may appear as available, the host local authority should be offered the property first. This is particularly important for London Boroughs in more highly pressurised areas for temporary accommodation.

National Policy Changes

13. This research was conducted in the context of a number of current and upcoming national policy developments, which may have further impacts on the procurement of private rented housing by the Council, but which this research cannot account for these fully at this stage. These include:
 - The changes in the Housing and Planning Bill (currently going through Parliament), including provisions such as starter homes and the sale of high value empty council properties, which are likely to impact the supply of social rented housing.

¹ https://england.shelter.org.uk/_data/assets/pdf_file/0004/1236820/Landlord_survey_18_Feb_publish.pdf

- The changes in the Welfare Reform and Work Bill (currently going through Parliament), including provisions such as the reduction in the overall benefit cap the freezing of the LHA rates and other welfare reform changes, including the introduction of Universal Credit.
- Uncertainty about the future of the temporary accommodation subsidy regime and the transfer to Universal Credit, potentially ending the separate subsidy regime for temporary accommodation and the changes announced in the November 2015 Spending Review to the management fee element.

Legal Duties

14. The Housing Act 1996 places a duty on local housing authorities to secure accommodation for unintentionally homeless people in 'priority need'.
15. Section 206 of the Housing Act 1996 provides that any accommodation secured must be suitable. Suitability must be considered in relation to the applicant and to all members of his/her household who normally reside with him/her, or who might reasonably be expected to reside with him/her.
16. Section 208 of the Housing Act 1996 requires that so far as 'reasonably practicable', local authorities secure that accommodation for homeless households is available in their district. The Homelessness Code of Guidance for Local Authorities also advises that housing authorities should aim to secure accommodation within their own district wherever possible. Where this is not possible the authorities must try to place the applicant as close as possible to where they were previously living. It makes clear that the location of accommodation is relevant to the question of suitability, a point underlined in regulations.
17. Under the legislation and supporting guidance the key factors that have to be assessed for each household when considering suitability include:
 - The distance of the accommodation from the local housing authority area
 - The significance of any disruption which would be caused by the location of the accommodation to the employment, caring responsibilities or education of the applicant or members of his household
 - Proximity and accessibility to schools, public transport, primary care services, local services and amenities in the area in which the accommodation is located
 - Space and arrangement
 - Health and safety considerations
 - Affordability
 - Location
 - Availability of alternative suitable accommodation in the local authority area
 - Size and location of alternative equivalent accommodation available outside of the borough and the availability of support networks in the area.
 - There are other legal duties (such as those under the Children Act 2004) that also have to be taken into account in considering suitability.

18. The Supreme Court judgment on *Nzolameso vs City of Westminster* (handed down in April 2015) has led to a particular focus on the requirement for local authorities to aim to secure accommodation within their own district wherever reasonably practicable. The approach suggested by the Court requires particular care to be taken when making out of borough placements to evidence decision-making and demonstrate consideration has been given to placements closer to the borough.

Methodology

19. The analysis was broken down using the following indicators of affordability:

- **Local Housing Allowance:** the Government defines the Local Housing Allowance as ‘a way of calculating the eligible rent for tenants claiming Housing Benefit (HB) in the deregulated private rented sector (PRS)’². It is paid directly to low-income tenants who are renting privately. Different LHA rates are set according to different Broad Rental Market Areas (BRMAs) across Great Britain.
- **Temporary Accommodation Subsidy:** this is the amount of subsidy that is paid to local authorities by central Government for each property used as temporary accommodation for homeless households. Local authorities generally lease properties from private landlords. It is financed through the housing benefit system and contains two elements: an LHA element directed towards the payment of rent and a ‘management’ element to support local authorities manage the tenancy. The LHA element has been capped at 90% of LHA at the 2011 rate and the management fee element is £40 for local authorities in London. This is subject to a maximum cap of £500 in some London BRMAs and £375 elsewhere. However, as set out in paragraph 10, it is likely that the whole regime may change with the introduction of Universal Credit.
- **Overall Benefit Cap:** this is a limit on the total amount of benefits that working-age people (who are not exempt) can receive, including housing benefit. The current benefit cap is £500 per week for couples and families and £350 per week for single people. However, this will be lowered to £442 per week for couples and families in London, £385 per week for couples and families outside London, £296 for single people in London and £258 for single people outside London. The modelling in this analysis uses these lower benefit caps both inside and outside London. This affects all households that are not exempt, including households in temporary accommodation.

20. Given the legal requirements that local housing authorities should aim to secure accommodation within their own district so far as reasonably practicable, our methodology was to initially focus on areas within Westminster, then gradually moving out from this initial research area to Central London and then the rest of Greater London (including all geographic

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329794/rr873-lha-impact-of-recent-reforms-differences-by-place.pdf

areas covered by London Boroughs).

21. However, our experience of the London and South East PRS markets meant that we were aware that research into other areas outside of London would also be necessary, both to provide WCC with sensible, suitable, affordable options for non-working homeless households and to future proof this piece of work, in case of further rent increases in London and the South East, made those areas less affordable.
22. Therefore during this research, five separate 'procurement bands' based on geographical regions were created in discussion with the Council. The exact locations and rationale behind the selection of those locations for each band, is discussed in specific sections below. However, broadly those bands were designated as:
 - a. Band 1 – Westminster City Council authority area
 - b. Band 2 – Central London boroughs
 - c. Band 3 – Wider Greater London
 - d. Band 4 – The South East (as near to Band 3 as possible, outside the M25)
 - e. Band 5 – Other procurement areas (but within a 2 hour train journey of Westminster)
23. The following approach was applicable across all bands;
 - a. Searches were carried out using online search engine Zoopla during January and February 2016. Zoopla was selected as it provided the greatest degree of flexibility and granularity amongst the various search engines, when defining search areas.
 - b. All postcodes researched were analysed for number of properties available within each bedroom number category (1-4 bedrooms).
 - c. Within each of these searches, four filters of property affordability were put in place. These were properties available within:
 - i. The LHA rate
 - ii. The LHA rate plus an incentive
 - iii. TA subsidy rules
 - iv. TA subsidy rules plus an incentive
 - d. 'Incentives' were included to give WCC a better idea of what properties could be procured with a contribution from either the tenant or WCC itself, and has become normal practice for almost all housing authorities in London and the South. Incentives are used by local authorities as 'invest to save' measures to help prevent homelessness and to support homeless households into private rented sector accommodation. However, it is recognised that they cannot be used in every case, excessive use could distort the market and they are not sustainable long-term solutions for either the household or the local authority.

- e. The incentive amounts applied were dependent on the property size and were at the upper end of what could be offered in order to provide the greatest flexibility in indicating potentially suitable areas. The incentive lump sum was divided over 24 months, and the monthly figure added to the LHA or TA subsidy level to give a new rent level to measure against. The incentive levels used (based on our experience and discussions with the council) were;
 - v. 1 Bedroom - £2,500 (£104.17 per calendar month)
 - vi. 2 Bedroom - £3,000 (£125 pcm)
 - vii. 3 Bedroom - £4,000 (£166.67 pcm)
 - viii. 4 Bedroom - £4,000 (£166.67 pcm)

- f. Spreadsheets were produced to reflect the results and they are colour coded to make them visually easy to identify:
 - i. Green = 15 or more properties available at, or below either LHA or TA subsidy rate, suggesting that procurement of property is possible without additional incentives
 - ii. Orange = 15 or more properties available at, or below LHA rate + incentive or TA subsidy rate + incentive
 - iii. Red = less than 15 properties available below any of the above rates

- g. Where we have determined that “procurement is possible” within any postcode and using any of the four affordability filters, we have used 15 as a minimum number of properties available in order to decide that an area is viable for procurement.

- h. The 2016 revised household benefit cap of £23,000 (within London) and £20,000 (outside of London) was used when determining affordability for non-working households. The equivalent amounts for single households were also used.

- i. To analyse affordability for non-working households we undertook the following process: a non-working household’s income was based on receipt of the relevant standard benefits for that household composition. The amount of benefit was totalled, subtracted from the relevant benefit cap amount to leave an amount that notionally is available for weekly rent. The amount remaining as ‘available for weekly rent’ is then compared with the relevant LHA or TA subsidy level for a property of particular size in that area, to determine whether the household has enough money left to afford the expected rent. The nature of these calculations mean that they cannot be used to indicate whether properties are available for these households, but whether they are theoretically affordable for households at the relevant LHA or TA subsidy level.

General Limitations

24. The following sets out the general limitations of this research, applicable across all bands;
- a. The data reflects a point in time search and clearly availability will fluctuate on a daily basis. Research was carried out in January and February which can be slower months in

(even high demand) PRS markets. Therefore there is likely to have been a surplus of accommodation available during our research, compared to spring and summer months.

- b. Our experience of using internet search engines is that some agents leave properties on their sites as 'available', when in fact they are not. They do this to ensure a market presence and generate enquiries. This may artificially inflate the number of properties available during our search process.
- c. Some properties may be marketed by multiple agents, so again this may artificially inflate the number of properties available.
- d. Taking points a, b and c above into account, the 'properties available' in all bands should be taken as the absolute maximum available at the time of our search.
- e. Results in an area can be skewed by one development. For example a large number of flats becoming available at similar rents will skew the data, particularly if they are at the more affordable end of the market.
- f. Postcodes may be covered by more than one Broad Rental Market Area (BRMA), and therefore what might be shown as affordable, may include properties that fall under a lower value BRMA. Whilst we have been able to be fairly accurate in drawing up search areas, there is no facility that allows us to search exactly within a BRMA area, particularly for example, where one side of a street falls into one BRMA and the other side, into a different one.
- g. As set out in paragraph 10, due to the principles set out in the London Councils' Inter Borough Temporary Accommodation Agreement, this may mean that although properties appear available, in practice they may not be.
- h. The search may underplay the number of properties that are actually available as it searched for properties on Zoopla and cannot capture all properties available at any one time. While London Councils' data shows that there are c. 92,500 non-working LHA recipients across London over the last year (demonstrating that a significant amount of households are living in London using LHA to pay their rent), this research focuses on sourcing new properties in the private rented sector for use by households in housing need. The City Council reports that its experiences are that as residents who had been claiming LHA move out of properties, many landlords are able to find new tenants who are able to pay rents at above LHA levels, as shown by a reduction in numbers of LHA claims in Westminster.
- i. This research cannot fully account for the impacts of the additional barriers to accessing the PRS for those on low incomes, including households in receipt of benefits, in terms of its costs, including initial deposits, fees required, referencing requirements, high rents and in some cases, landlords' approaches towards letting to benefit claimants. Therefore, whilst procurement may be theoretically possible, this may not be possible in practice.

- j. This research did not filter out unsuitable properties (unsuitable by their condition and standard). The results of the last English House condition survey, published in February 2015, showed that nationally, 17% of properties contained a HHSRS Category 1 hazard. It is expected that this would make those properties unsuitable accommodation. Additionally an argument can be made that the 17% of properties containing a category 1 hazard are likely to be those at the more affordable end of the market. Therefore the number of available properties suggested by this research may include a proportion that are, in practice, unsuitable for the needs of the council and its clients. However, in order for a property in the private rented sector to be suitable to let to a homeless household it must meet minimum physical standards and properties are inspected to determine this.
25. The research is therefore intended to give an overview of the kinds of places in which the council might usefully consider procuring. It is not seeking to provide a degree of precise targeting that would in any case be rapidly overtaken by events. However, given the caveats set out above, we are satisfied that the methodology used and the results it has produced do provide a robust guide for policy-making and implementation.

Summary of Conclusions

26. Research shows that the private rented sector is continuing to expand and landlords appear willing to continue to invest, irrespective of changes to tax, mortgages and welfare reforms. However, the availability of affordable property in the private rented sector to households on low incomes, including those in receipt of benefits, is low, particularly to non-working households who are impacted by the overall benefit cap.
27. There are limited opportunities across all bands for procurement of properties of any size at Local Housing Allowance rates. In order to be able to procure at LHA rates, good relationships with landlords and agents will be required, possibly meaning a local presence in some of the bands further away from Westminster.
28. There were more opportunities across the majority of bands for procurement of properties at TA subsidy rates. However, as stated in paragraph 10, it should be noted that the subsidy system as it currently stands (and which this research is based on) is likely to change with the introduction of Universal Credit, potentially ending the separate subsidy regime for temporary accommodation in future. This should be taken into account when considering long-term procurement options for temporary accommodation.
29. **Band 1 (Westminster)** – Possibility of procurement of 1 and 2-bedroom accommodation at TA subsidy rate in limited postcode areas. This accommodation should be affordable to only small households in 1-bedroom accommodation (excluding single people) affected by the benefit cap.

30. **Band 2 (Central London)** – Possibility of procurement of 1, 2 and 3-bedroom accommodation at TA subsidy rate in small but specific range of postcodes. This accommodation should be affordable to only all households in 1-bedroom accommodation affected by the benefit cap.
31. **Band 3 (Greater London)** – TA subsidy rates are lower than LHA rates, so procurement opportunities are reduced in this band. Some ‘micro-market’ opportunities of possible 1, 2 and 3-bedroom procurement at LHA + incentive level. This accommodation should be affordable for households in 1 and 2-bedroom accommodation affected by the benefit cap.
32. **Band 4 (The South East)** – Slough and Maidenhead are recommended, with procurement possibilities at the TA subsidy rate in 1, 2 and 3 bedroom accommodation. This accommodation should be affordable for only small households in 1-bedroom accommodation affected by the benefit cap, due to the reduction in the benefit cap outside of London.
33. **Band 5 (Other Procurement Areas)** – Leicester is recommended, with Birmingham and Coventry viable markets also. Still low possibilities at LHA rate, but good procurement possibilities at TA subsidy rate for 1, 2, 3 and 4-bedroom accommodation. This accommodation should be affordable for households in 1 and 2-bedroom accommodation affected by the benefit cap, with smaller households in 3-bedroom accommodation also unaffected by affordability.
34. This research was conducted in the context of a number of current and upcoming national policy developments, which are likely to have further impacts on the procurement of private rented housing, particularly in London and the South East, including the introduction of Universal Credit, the reduction of the overall household benefit cap and freezing of LHA rates. The reduction in household benefit caps of £23,000 in London and £20,000 outside of London will have a significant impact on the affordability of housing for those households in the South (and Midlands). This research demonstrates that households with more than two children may find even Band 5 areas unaffordable.
35. Therefore, while procurement may be theoretically possible, the reality is that attempting to procure these properties for clients on low incomes and in receipt of benefits is becoming more and more difficult.

Procurement Bands

Band 1 - Westminster

Background

36. All postcodes in Westminster were analysed, using both the Central London and Inner North London BRMAs, as relevant.
37. For every individual postcode within Westminster, we analysed the number of properties per bedroom number per postcode available within each of the four affordability filters as outlined in the methodology above.

Headline Findings

Band 1 – Westminster

One bedroom		Two bedrooms	
Local Housing Allowance	Red	Local Housing Allowance	Red
TA Subsidy Rate	Green	TA Subsidy Rate	Green
Three bedrooms		Four bedrooms	
Local Housing Allowance	Red	Local Housing Allowance	Red
TA Subsidy Rate	Red	TA Subsidy Rate	Red

Key

Green = properties generally available at, or below either LHA or TA subsidy rate, suggesting that procurement of property is possible without additional incentives

Orange = properties generally available at, or below LHA rate + incentive or TA subsidy rate + incentive

Red = properties generally not available below any of the above rates

General Findings

38. Availability of properties across all bedroom numbers in Westminster was very high. We identified over 10,000 PRS properties available during our research. Given the 2011 Census results, this could indicate that the PRS in Westminster is continuing to grow at a rapid rate, with matching demand. However, as might be expected, the number of properties available to low income households, including those in receipt of benefits, amongst the 10,000 was very low.

39. Of agents surveyed, less than 10% said they thought that their landlords would be willing to accept tenants in receipt of welfare benefits, even if significant safeguards such as guaranteed rent and damage bonds were provided.

Local Housing Allowance

40. There were no postcode areas in any bedroom size where procurement would be possible either at LHA rate or LHA + incentive rate. Therefore it is likely to be challenging for WCC to discharge duty into any size properties in the PRS within Westminster itself on any scale.

TA Subsidy Rates

41. There were a number of postcode areas where procurement of **1 and 2-bedroom PRS accommodation** may be possible at TA subsidy rate and TA subsidy rate + incentive. NW 1, NW8 and W9 showed particularly good procurement prospects with over 50 1 and 2-bedroom properties available.

42. For **3-bedroom accommodation** there initially appeared to be some procurement possibilities using the TA subsidy rates + incentives. However, the possibilities are limited to very small

numbers (27 properties across all Westminster postcodes) and the conclusion is that in practice the procurement of 3-bedroom accommodation is extremely difficult in Westminster.

43. There were no properties within the Westminster postcodes where the lowest rent for **4-bedroom accommodation** was affordable using any of the four affordability filters. Therefore it is unlikely to be possible for WCC to procure any of this type of accommodation in borough.

Overall Benefit Cap

44. Suitably sized properties inhabited by one person (1A) or more than one adult and one child (1A + 1C) will not be affordable to non-working households who will have a maximum income of £23k (through the overall benefit cap) within in Westminster.
45. Therefore, the allocation of private rented sector accommodation within Westminster for households larger than 1A + 1C should be allocated to households unaffected by the household benefit cap in order to be affordable.

Conclusions

46. **There are procurement opportunities for 1 and 2-bedroom accommodation within a limited number of specific postcode areas, particularly NW1, NW8 and W9, which offer procurement opportunities for both 1 and 2-bedroom accommodation. However these opportunities are only possible at TA subsidy rate.**
47. **Therefore there are limited possibilities for WCC to discharge the housing duty through procurement of sustainable PRS accommodation at LHA rate.**
48. **The majority of accommodation within this band is likely to be affordable only for those unaffected by the overall benefit cap.**
49. **Given the relatively small number of opportunities in this band (compared to other bands), particular attention must be given to the quality of accommodation that is available.**

Band 2 – Central London

Background

50. After establishing that Band 1 has extremely limited sustainable PRS options for low income households, including households in receipt of benefits, to remain within Westminster, it was necessary to look at alternative options as geographically close to Westminster as possible.
51. Therefore, the London Boroughs included in this Band were as follows (which, with Westminster, make up the eight central London local authorities):
- City of London
 - Camden
 - Lambeth
 - Kensington & Chelsea
 - Wandsworth

- Southwark
- Islington

(NB: Other London boroughs are considered in Band 3).

All these boroughs fall within one or more of the following BRMAs: Central London, Inner North, Inner West, Inner South East, Outer South West London, Inner East and Inner South West.

52. For every individual postcode within the seven Central London Boroughs, we analysed the number of properties per bedroom size per postcode available within each of the four affordability filters and the methodology as outlined above.

Headline Findings

Band 2 – Central London

One bedroom		Two bedrooms	
Local Housing Allowance	Green	Local Housing Allowance	Yellow
TA Subsidy Rate	Green	TA Subsidy Rate	Green
Three bedrooms		Four bedrooms	
Local Housing Allowance	Red	Local Housing Allowance	Red
TA Subsidy Rate	Green	TA Subsidy Rate	Red

General Findings

53. We identified over 30,000 PRS properties available in Central London during our research. There is some opportunity for procurement at affordable levels across Central London, in particular at TA subsidy rate in 1, 2 and 3-bedroom accommodation, as highlighted in the table above.
54. It should be noted that as set out in paragraph 10, all London boroughs should follow the principles in London Councils’ Inter Borough Temporary Accommodation Agreement which means that in practice, although a property may appear as available, the host local authority should be offered the property first. This is particularly important for London Boroughs in more highly pressurised areas for temporary accommodation.
55. As with all bands, it is likely that a proportion of properties within this band may, in practice, be unsuitable for the needs of the council and its clients, as set out in paragraph 25j.
56. Of agents surveyed, less than 20% said they thought that their landlords would be willing to accept tenants in receipt of welfare benefits, even if significant safeguards such as guaranteed rent and damage bonds were provided. This also reflected that a few agents considered themselves specialists in this niche of the market.

Local Housing Allowance

57. Across the seven Central London boroughs, there was only one postcode area where procurement of 1-bedroom PRS accommodation was possible at LHA rate, and this was in Camden at NW2. Even this postcode only just met our minimum 15 properties criteria, with 16 being available.
58. With the use of incentives as outlined at earlier in this report, this allowed limited procurement in three other postcode areas across the whole of Central London at 1 and 2-bedroom level.
59. Therefore the results show that procurement of properties in Central London at LHA rate or LHA rate + incentives is extremely difficult. The vast majority of the postcodes analysed in Central London showed no properties available within the LHA rate affordability filter.

TA Subsidy Rates

60. There were a number of postcode areas, in particular in Camden, Kensington & Chelsea and Islington where procurement of **1, 2 and 3-bedroom PRS accommodation** may be possible at TA subsidy rate and TA subsidy rate + incentive. These areas showed healthy numbers of available properties, and should be investigated for TA procurement opportunities. Although there is less opportunity for 3-bedroom accommodation, it is within areas that also contain affordable 1 and 2 bedroom accommodation, meaning that procurement could be targeted at specific postcode areas.
61. Our results indicated that if areas can be targeted, with good marketing and resourcing of a procurement effort, then it maybe that procurement of temporary accommodation can be maintained in Central London.

Overall Benefit Cap

62. As a general overview of this band, suitably sized properties inhabited by more than one adult and one child (1A + 1C) will not be affordable to non-working households who will have a maximum income of £23k (through the overall benefit cap) within Central London. The only properties that are affordable at LHA rates are for households in 1-bedroom accommodation.
63. Using TA subsidy rates, the results are broadly similar to the LHA rates. Unlike Band 1, this does open up the possibility of procuring temporary accommodation and placing households affected by the benefit cap into this accommodation.
64. Other than the affordability outlined above, all other household compositions and bedroom number are unaffordable.

Conclusions

65. **There are limited procurement opportunities for 1 or 2-bedroom accommodation at LHA rate within one or two very specific postcode areas. There was no affordable 3 or 4 bedroom accommodation at LHA rate.**

66. **Procurement of properties in Central London at LHA rate or LHA rate + incentives is extremely difficult. The vast majority of the postcodes analysed in Central London showed no properties of any bedroom number available within the LHA rate affordability filter.**
67. **Therefore, there are limited possibilities for WCC to discharge the housing duty through procurement of sustainable PRS accommodation in Central London, with some opportunity for smaller accommodation only.**
68. **At TA subsidy rate there are more opportunities, allowing the procurement of 1, 2 and 3-bedroom temporary accommodation without incentives in a number of postcode areas. The affordable areas for 1 and 2 bedroom accommodation are broadly similar, and although there is less opportunity for 3-bedroom accommodation, it is within areas that also contain affordable 1 and 2 bedroom accommodation, meaning that procurement could be targeted at specific postcode areas.**
69. **Except for accommodation for couples, or 1 adult & 1 child, the majority of accommodation within this band is likely to be affordable only for those unaffected by the overall benefit cap, although there was slightly more affordability than in Westminster.**

Band 3 – Wider Greater London

Background

70. After establishing that bands 1 and 2 had limited sustainable PRS options for low income households, including households in receipt of benefits, it was necessary to look at alternative options in the wider Greater London area. Whilst there may be areas outside of the M25 that are geographically closer to Westminster than some Greater London areas, the Greater London area was analysed as a whole as places here are likely to have better transport links and more social infrastructure than those outside London. However, bands 3 & 4 could potentially be viewed together as equivalent options, dependent upon the make-up, needs and aspirations of the household and characteristics of the places concerned.
71. We adopted a filtering process to the methodology for this Band. However it is important to stress that all remaining London Boroughs not analysed in Band 1 or 2 were included for analysis in this Band. This includes the following BRMAs:

- Outer East London
- Outer North East London
- Outer South East London
- North West London
- Outer North
- Outer South
- Outer South West
- Outer West

72. For every individual postcode within the boroughs, we analysed the number of properties per bedroom number per postcode available within each of the four affordability filters and the methodology as outlined above.

Headline Findings

Band 3 – Greater London

One bedroom		Two bedrooms	
Local Housing Allowance	Red	Local Housing Allowance	Yellow
TA Subsidy Rate	Yellow	TA Subsidy Rate	Yellow
Three bedrooms		Four bedrooms	
Local Housing Allowance	Yellow	Local Housing Allowance	Yellow
TA Subsidy Rate	Red	TA Subsidy Rate	Yellow

General Findings

73. There are two important issues that arise in this band. The first issue indicates that, on the surface, there is less availability of affordable accommodation than might be expected as the market rents we found in outer London were very competitive compared to the LHA rates. There were also fewer available properties in the outer London postcodes than those in Central London.
74. The second issue relates to the difference between LHA rates and TA subsidy rates, which are less pronounced in Outer London than in Westminster and the rest of Central London and in some areas, TA subsidy is lower than the equivalent LHA rate for a property.
75. This lack of visible affordable accommodation in the search is not reflected by experience. This may be due to what we will refer to as ‘micro-markets’. Our research showed that pockets of affordability exist in some of the postcodes across this band. They tend to be limited to certain estates or areas, but due to small available numbers in these ‘micro markets’, these areas of affordability can get lost in a snapshot piece of research of this type.
76. Where micro-markets exist, they do not always get advertised through wider traditional methods such as Zoopla or Rightmove, as they may be attractive mainly to people in that locality. Therefore, it can be that anecdotal evidence and experience show that affordability is fair in an area, where this research shows that it is not. We have named these ‘micro-markets’ and the results for this band should be viewed in this context.
77. It should be noted that as set out in paragraph 10, all London boroughs should follow the principles in London Councils’ Inter Borough Temporary Accommodation Agreement which means that in practice, although a property may appear as available, the host local authority should be offered the property first. This is particularly important for London Boroughs in more highly pressurised areas for temporary accommodation.

78. As with all bands, it is likely that a proportion of properties within this band may, in practice, be unsuitable for the needs of the council and its clients, as set out in paragraph 25j.
79. Of the agents surveyed, 20% said they thought that their landlords would be willing to accept tenants in receipt of welfare benefits, even if significant safeguards such as guaranteed rent and damage bonds were provided. This also reflected that a few agents considered themselves specialists in this niche of the market.

Local Housing Allowance

80. Across all the wider Greater London postcodes, there were only a handful of areas where PRS accommodation was possible at LHA rate + incentives for 2, 3 and 4-bedroom accommodation, and these were in traditional areas such as Enfield and Croydon. No areas showed availability at the LHA rate.
81. Therefore, the results show that procurement of properties across wider Greater London at LHA rate, or with the use of incentives is extremely difficult. The vast majority of the postcodes analysed showed no properties available within the LHA rate affordability filter, although there were micro-markets of affordability.

TA Subsidy Rates

82. In many BRMAs across Greater London, TA subsidy rates were lower than current LHA rates. In bands 1 and 2, there is often a significant difference between LHA rates and TA subsidy rates. This is far less pronounced in the Outer London BRMAs and so reduces the potential for procurement of temporary accommodation.
83. Therefore there were only limited procurement opportunities at TA subsidy rate + incentive, with few or no procurement opportunities available without the use of incentives. These areas showed healthy numbers of available properties.

Overall Benefit Cap

84. As a general overview of this band, 1 and 2 bedrooms properties are affordable at LHA rates for most households affected by the cap. 3 and 4-bedroom accommodation is broadly unaffordable for those affected by the cap.
85. Using TA subsidy rates, the results are broadly similar to the LHA rates for 1-bedroom accommodation. However, at 2-bedroom accommodation and above, affordability reduces for all household compositions except 1 adult and 1 child.
86. Other than the above, all other household compositions and bedroom number are unaffordable in this Band.

Conclusions

87. There are procurement opportunities for 1, 2 and 3-bedroom accommodation within a limited number of specific postcode areas. However, unlike bands 1 & 2, the opportunities are possible mainly at LHA rate + incentive.
88. Our research showed little affordability across most areas. However, upon closer examination micro-markets may exist that allow for procurement in the following areas;
- a. CR0, Croydon
 - b. EN1, EN2, EN3 & EN4, Enfield
 - c. KT2 & KT6, Kingston

It must be stressed that our research did not demonstrate significant and consistent opportunities in these areas, but combining our research with experience and anecdotal evidence, efforts concentrated in these areas are likely to yield some procurement opportunities.

89. 1 and 2-bedroom accommodation is theoretically affordable for those affected by the overall benefit cap across almost all of the eight BRMAs in this band.

Band 4 – The South East (as near to Band 3 as possible, outside the M25)

Background

90. After establishing that bands 1-3 had limited sustainable PRS options for households for low income households, including households in receipt of benefits, it was necessary to look at alternative options beyond Greater London. When identifying suitable areas for further analysis in Band 4, areas which were easily accessible to central London were prioritised. Therefore, when determining suitable areas for further analysis, although affordability remained a key factor for consideration, other factors, including location and travel time, ethnicity, employment and potential support networks were assessed as “proxy” measures to give some initial indications about some of the issues affecting suitability.
91. Therefore the methodology when filtering areas for this Band had to take into account the proxy measures above.
92. The selected areas for more detailed research agreed with the Council as being a useful guide to policy-making and implementation were as follows:
- Dartford
 - Gravesend
 - Stevenage
 - Grays
 - Harlow
 - Slough
 - Maidenhead.

93. For every individual postcode within these seven areas, we analysed the number of properties per bedroom number per postcode available, within each of the four affordability filters using the methodology as outlined above.
94. We analysed data about travel, ethnicity, education and employment as well as details of the impact of the household benefit cap on the majority of household compositions, across the different areas.

Headline Findings

Band 4 – South East

One bedroom		Two bedrooms	
Local Housing Allowance	Yellow	Local Housing Allowance	Yellow
TA Subsidy Rate	Green	TA Subsidy Rate	Green

Three bedrooms		Four bedrooms	
Local Housing Allowance	Red	Local Housing Allowance	Red
TA Subsidy Rate	Yellow	TA Subsidy Rate	Red

General Findings

95. There are few procurement possibilities in five of the seven areas researched. Dartford, Gravesend, Grays, Harlow and Stevenage offered very limited opportunities for procurement in that they had small rental markets at the time of this research. These five areas had just 280 properties available between them across all property sizes, and limited affordability within those small markets.
96. Slough and Maidenhead were buoyant markets in terms of large rental markets, with the two areas having over 700 properties available between them across all property sizes. Additionally both areas offered reasonable procurement opportunities, particularly for 1, 2 and 3 bedroom accommodation.
97. As with all bands, it is likely that a proportion of properties within this band may, in practice, be unsuitable for the needs of the council and its clients, as set out in paragraph 25j.
98. Of agents surveyed in Slough, around 30% said they thought that their landlords might be willing to accept tenants in receipt of welfare benefits, compared to around 10% in Maidenhead.

Local Housing Allowance

99. There was very limited affordable accommodation available at LHA rate in any of the areas. Some of this may be attributable to small markets in Grays, Harlow, Stevenage, Gravesend and Dartford. Slough and Maidenhead had larger PRS markets and some small procurement opportunities at LHA, but mainly LHA + incentive level.

100. As can be seen from the table at the start of this section, procurement opportunities at LHA rate are extremely limited in all areas in this band and therefore it is unlikely that a consistent stream of properties can be procured at LHA rate to discharge the housing duty.

TA Subsidy Rates

101. In all areas in this band the LHA rate was significantly lower than the TA subsidy rate, making the procurement of temporary accommodation more likely than properties at LHA rate. However, as with LHA levels, only Slough and Maidenhead (postcodes SL1, SL2 & SL6), had reasonable availability of accommodation at TA subsidy rate.

102. Slough had a larger market and more available properties than Maidenhead, but Maidenhead has a Slough postcode (SL6) and is therefore geographically close to Slough offering the potential for procurement across both areas together. Many agents and landlords may have properties in both areas and marketing through local networks is likely to reach across both areas.

Overall Benefit Cap

103. Whilst affordability for non-working households affected by the cap might be expected to increase further out from central London, Band 4 areas will be affected by the new reduced benefit cap for outside London of £20,000 (from £26,000 previously), and this has a significant impact on affordability for those affected by the cap in these areas.

104. As a general overview of this band, suitably sized properties inhabited by more than two adults and one child (2A + 1C) will not be affordable to non-working households who will have a maximum income of £20k (through the overall benefit cap) across the seven areas in this band. Therefore, affordability for those affected by the cap in Slough and Maidenhead will be restricted to 1 bedroom accommodation, or 2-bedroom accommodation for 1 adult and 1 child only. Other accommodation in this area will only be affordable for households not affected by the cap.

105. The findings in this band suggest there are more procurement opportunities in the East Thames Valley BRMA, which contains both Slough and Maidenhead.

Other Considerations

106. All seven areas show comparable data to Westminster in terms of **educational attainment, economic activity and employment rates** (although Harlow has a slightly higher unemployment rate).

107. Slough is the most **ethnically diverse area selected**. White British households make up 34% of households in Slough (35% in Westminster).

108. **Travel times and costs** from all seven areas were analysed. In theory these travel times and costs make the areas very suitable for working households who may need to return to London for work, although Slough and Maidenhead clearly offer the best cost/time balance out of the seven areas in the Band.

109. Research has been undertaken into **support agencies** in each area, which can support relocation. Once again, Slough provides the most extensive networks and support for minority groups, compared to the other six areas.

Conclusions

110. **Of the seven areas researched, Slough and Maidenhead offer the most realistic procurement opportunities across both LHA and TA subsidy affordability filters, offering opportunities for temporary accommodation and possibly PRS discharge of duty. Several of the postcode areas indicated that procurement would only be possible with the use of incentives and whilst this may be generally true, there may be opportunities available without incentives if good relationships with local agents and landlords can be established..**
111. **In terms of the other “proxy measures” of suitability, Slough is likely to have accommodation which may meet suitability requirements and as such, it is recommended to consider focusing main procurement activity here.**
112. **However, as detailed above, the geographic location of Maidenhead, as well as the fair procurement opportunities there, offers the opportunity to procure in this area alongside Slough.**
113. **The overall benefit cap reduction to £20,000 a year outside of London impacts all areas in this band, due to the proximity to London yet a benefit cap level that is the same as the rest of the UK. Therefore affordability for those affected by the cap in Slough and Maidenhead will be restricted to 1 bedroom accommodation, or 2-bedroom accommodation for 1 adult and 1 child only. Other accommodation in this area will only be affordable for households not affected by the cap.**
114. **As a number of local authorities are known to procure temporary accommodation in Slough (SL1 & SL2) (meaning demand and competitiveness for accommodation is always likely to be high), it may be an uncertain long-term procurement option.**

Band 5– Other Procurement Areas

Background

115. After establishing that bands 1-4 had limited sustainable PRS options for low income households and households in receipt of benefits, it was necessary to look at alternative options beyond this. When identifying suitable areas for further analysis in Band 5, key criteria was to identify areas that would be affordable in terms of rent for low income households and households in receipt of benefits, but other factors, including location and travel time, ethnicity, employment and potential support networks were assessed as “proxy” measures to give some initial indications about some of the issues affecting suitability.
116. Therefore the methodology when filtering areas for this Band had to take into account the proxy measures above.
117. The selected areas for more detailed research were as follows:

- Coventry
- Northampton
- Peterborough
- Bedford
- Leicester
- Medway & Swale
- Birmingham
- Southend.

118. For every individual postcode within these eight areas, we analysed the number of properties per bedroom size per postcode available, within each of the four affordability filters using the methodology as outlined above.

119. We analysed data about travel, ethnicity, education and employment as well as details of the impact of the household benefit cap on all sensible household compositions, across the different areas.

Key Findings

Band 5 – Other Procurement Areas

One bedroom		Two bedrooms	
Local Housing Allowance	Yellow	Local Housing Allowance	Yellow
TA Subsidy Rate	Green	TA Subsidy Rate	Green

Three bedrooms		Four bedrooms	
Local Housing Allowance	Yellow	Local Housing Allowance	Red
TA Subsidy Rate	Green	TA Subsidy Rate	Yellow

General Findings

120. All areas offer some procurement opportunities. Of the areas analysed, Birmingham, Leicester and Coventry had the largest rental markets and also offered the best procurement opportunities.

121. As with all bands, it is likely that a proportion of properties within this band may, in practice, be unsuitable for the needs of the council and its clients, as set out in paragraph 25j.

122. Of the agents surveyed in Leicester, around 65% of agents said they thought that their landlords might be willing to accept tenants in receipt of welfare benefits. In Coventry and Birmingham, this was 40/50%.

Local Housing Allowance

123. There is very little affordable accommodation available at LHA rate in any of the areas. Where the larger rental markets exist in Coventry, Leicester and Birmingham, there are some small procurement opportunities at LHA, but these are mainly at LHA + incentive level.
124. As can be seen from the table at the start of this section, procurement opportunities at LHA level are limited in all areas in this band and therefore it is unlikely that a consistent stream of properties can be procured at LHA rate to discharge the housing duty in any areas except Leicester, Coventry and Birmingham. With good marketing and resourcing of a procurement effort it is possible a stream of procurement at or around LHA level could be established.

TA Subsidy Rates

125. Good procurement opportunities exist at TA subsidy rate with all areas in this band offering opportunities at different property sizes.
126. Once again the largest numbers of procurement opportunities at non-incentive levels are in Coventry, Birmingham and Leicester. Leicester presents the best opportunities, with procurement possibilities in 1, 2, 3 and 4-bedroom accommodation.

Overall Benefit Cap

127. 1 and 2-bedroom accommodation is broadly affordable for all households affected by the overall benefit cap in all eight areas selected for this band, at both LHA rate and TA subsidy rate.
128. At LHA rate, 3-bedroom accommodation is affordable for 1 adult and 2 children households, and shows only small top up levels required for 2 adults and 2 children households affected by the benefit cap in Leicester, Coventry, Birmingham Peterborough, Northampton, Medway and Bedford. In Leicester, 1 adult and 3 children households with a small top up, may find this accommodation affordable.
129. At TA subsidy rate, 3-bedroom accommodation becomes unaffordable for households across all eight areas. There is scope for 1 adult and 2 children households in Leicester, Peterborough, Birmingham, Northampton and Coventry, with some small top ups.
130. At LHA rate, 4-bedroom accommodation is not affordable for any households affected by the overall benefit cap in any areas in this band.

Other Considerations

131. All eight areas show comparable data to Westminster in terms of **educational attainment and employment rates**, although there are lower employment rates in Birmingham, Coventry and Leicester.
132. Leicester and Birmingham are the most **ethnically diverse areas selected**. White British households make up 53% of households in Birmingham and 45% of households in Leicester (35% in Westminster). These areas are more diverse and contain excellent local support agencies and networks. Some areas have large communities from specific countries of origin. For example,

Leicester has a large Indian community (28% of the population) and Birmingham a large Pakistani community (13%).

133. **Travel times and costs** from the eight areas are all within the 120 minute threshold (by train). Although Southend and Medway have the shortest travel distances, this does not translate directly into quicker travel times by train. These travel times and costs make the areas more appropriate for resettlement than returning to London on a regular basis.

134. Research has been undertaken into **support agencies** in each area, which can support relocation. Birmingham and Leicester provide the most extensive networks and support for minority groups, compared to the other six areas.

Conclusions

135. **Of the eight areas researched, only Leicester, Birmingham and Coventry offer large rental markets with a good supply of accommodation and a mix of affordable properties of differing sizes.**

136. **Of those three, Leicester offers the most realistic procurement opportunities in potentially reasonable numbers for 1, 2, 3 and even some 4-bed accommodation. In terms of the other proxy measures of suitability, Leicester is likely to have accommodation which may meet suitability requirements.**

137. **Both Birmingham and Coventry also offer a range of procurement opportunities, but less consistently across all bedroom sizes. Geographically, they are suitable for a joint procurement effort and therefore in order to provide a range of options for different households, procurement could be considered in these two areas.**

138. **Whilst areas such as Birmingham, Leicester and Coventry continue to be redeveloped and offer improved opportunities for quality of life, this may affect the rent levels over time, including affordability. Although this should be noted, it is still expected that all three areas offer long-term suitable procurement opportunities.**