# Contents

Acknowledgements .................................................................................................................. vii
The Authors ............................................................................................................................... viii
Summary .................................................................................................................................... 1

1 Introduction ............................................................................................................................... 7
   1.1 Aims of the research ......................................................................................................... 7
   1.2 Background to the SRR and the local-reference rent ..................................................... 8

2 Study methods ........................................................................................................................... 11
   2.1 Overview ........................................................................................................................... 11
   2.2 Stage One: Project set-up and initial stakeholder interviews ........................................ 11
   2.3 Stage Two: Data audit and development of research design
      (including selection of case study areas) ............................................................................. 12
      2.3.1 Data audit .............................................................................................................. 12
      2.3.2 Project design ......................................................................................................... 12
      2.3.3 Case studies ............................................................................................................ 13
   2.4 Stage Three: Case study fieldwork and interim analysis .............................................. 13
   2.5 Stage Four: Final analysis and reports .......................................................................... 14

3 Research findings ..................................................................................................................... 17
   3.1 Impact of the Single Room Rent and the July 2001 changes on access to accommodation, rent levels and shortfalls .................................................. 17
      3.1.2 Sub-section summary of findings ................................................................. 18
      3.1.2 Access to accommodation ................................................................................. 19
      3.1.3 Rent and SRR levels ......................................................................................... 20
      3.1.4 Shortfalls .......................................................................................................... 25
      3.1.5 Conclusions ................................................................................................... 32
   3.2 The effects on work incentives .......................................................................................... 33
3.2.1 The SRR, work incentives and affordability of accommodation ............................................................... 34
3.3 Trends in SRR caseload from 1996 to the present .......................................................... 35
  3.3.1 Effects on national SRR caseload .................................................................................. 35
  3.3.2 Patterns in the current SRR caseload ........................................................................ 36
  3.3.3 Reasons for the decline in SRR caseload ................................................................... 37
3.4 Measures to provide additional help .................................................................................. 38
  3.4.1 Pre-Tenancy Determinations ...................................................................................... 38
  3.4.2 Discretionary Housing Payments .............................................................................. 38
  3.4.3 Views on possible SRR exemptions ........................................................................... 39
3.5 Impacts on young peoples’ access to private rented accommodation ............................................................... 40
  3.5.1 Attitude and reaction of landlords and lettings agencies ........................................ 40
  3.5.2 Influence of market conditions .................................................................................. 41
  3.5.3 Landlords and letting agencies .................................................................................... 41
  3.5.4 Interaction with the market for student accommodation ........................................ 42
  3.5.5 Student sharing .......................................................................................................... 43
  3.5.6 Alternative accommodation available to young people (council, housing association and supported housing) .................................................................................. 43
  3.5.7 Bed and breakfast .................................................................................................... 45
  3.5.8 Young peoples’ aspirations ......................................................................................... 45
  3.5.9 Friends’ floors .......................................................................................................... 46
  3.5.10 Rough sleeping ...................................................................................................... 46
  3.5.11 Propensity to share accommodation ........................................................................ 46
  3.5.12 Problems with sharing ............................................................................................ 47
3.6 The wider effects for young people .................................................................................... 47
3.7 The role of Rent Officers .................................................................................................. 49
  3.7.1 Administrative performance ...................................................................................... 49
  3.7.2 Availability of accommodation at the SRR ............................................................... 49
  3.7.3 Estimating the SRR ................................................................................................ 50
4 Wider policy issues and views on possible reform of the SRR ...................................................... 51
  4.1 Interaction with Local Housing Allowances ..................................................................... 51
  4.2 Views about the SRR and other Government policies relating to under-25s ................. 51
  4.3 Homelessness .............................................................................................................. 52
  4.4 Rehabilitation of offenders .......................................................................................... 53
  4.5 Public protection .......................................................................................................... 53
  4.6 Sustainable communities/neighbourhood renewal/social inclusion ................................ 53
  4.7 Housing standards ....................................................................................................... 53
5 Overall summary and conclusions ........................................................... 55
5.2 Views on possible changes to the SRR ........................................... 56

Appendix A List of national stakeholder organisations interviewed at outset of research .............................................................. 57
Appendix B Study methods ................................................................... 59
Appendix C Case study contextual descriptions .................................... 71

List of tables
Table 3.1 Change in mean LRRs, SRRs and referred rents, 2001 Q2 – Q4 (£ per week) ............................................................. 23
Table 3.2 Case study SRR case-loads ...................................................... 37
Table C.1 Change in total population 2001-02 (000s) ....................... 72
Table C.2 Change in population aged 15 – 24, 2001-02 (000s) .......... 72
Table C.3 Private and social renting households 2001 (000s) ................ 73
Table C.4 Household spaces in shared or converted accommodation, 2001 ...................................................................................... 74
Table C.5 Average house prices, 2001 and 2003 (£) ......................... 75
Table C.6 Average price of terraced housing, 2001 and 2003 (£) ......... 76
Table C.7 Average price of flats/maisonettes, 2001 and 2003 (£) ......... 76
Table C.8 Average local reference rents, pre- and post-reform (£ per week) ............................................................. 77
Table C.9 Average single room rents, pre- and post-reform (£ per week) ........................................................................... 78
Table C.10 Employment and unemployment rates, persons of working age, 2001 and 2003 (percentage) ...................... 79
Table C.11 Employment and unemployment rates, persons aged 16 – 24, 2001 and 2003 (percentage) ........................................ 80

List of figures
Figure 3.1 SRR cases by selected accommodation type, 2000 Q2 – 2002 Q1 ............................................................. 20
Figure 3.2 Mean referred rent and Single Room Rent for SRR cases, 2000 Q2 – 2002 Q1 ............................................................. 21
Figure 3.3 Mean referred rent for SRR cases by type of non-self-contained room, 2000 Q2 – 2002 Q1 ............................................................. 22
Figure 3.4 Mean referred rent, single room rent and local reference rent, 2000 Q2 – 2002 Q1 ............................................................. 23
Figure 3.5 Change in local reference rent for non-SRR cases, 2001 Q2 – Q4, by dwelling type and size (SRR = 10.2 per cent) ........ 24
Figure 3.6 Change in referred rent for non-SRR cases, 2001 Q2 – Q4, by dwelling type and size (SRR cases = 7.2 per cent) ........... 25
Figure 3.7 Proportion of SRR cases with a shortfall by selected accommodation type, 2000 Q2 – 2002 Q1 ................................. 26
Figure 3.8 Mean shortfalls, 2000 Q2 – 2002 Q1.............................................. 27
Figure 3.9 Proportion of cases with shortfalls in excess of £20pw, 2000 Q2 – 2002 Q1................................................................. 28
Figure 3.10 Size distribution of shortfalls, 2002 Q1 ..................................... 28
Figure 3.11 Mean shortfall of SRR cases by accommodation type, 2002 Q1 .................................................................................. 30
Figure 3.12 Reason for shortfall among SRR cases, 2000 Q2 – 2002 Q1 .... 31
Figure 3.13 Reason for shortfall among SRR cases in a non-self-contained room with use of one shared room, 2000 Q2 – 2002 Q1 ....... 32
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Summary

Background and key findings

- Since the introduction of the Single Room Rent (SRR) in October 1996, private sector rented accommodation has become increasingly unavailable to under-25 year old Housing Benefit (HB) claimants. While this is attributable to a number of factors, not just the SRR, the information collected in this research indicates that the SRR restriction may have contributed to the difficulties which young HB claimants have had in obtaining accommodation in the private rented sector.

- In the year immediately following the introduction of the SRR there were over 100,000 SRR determinations; by 2003 the number had declined substantially to some 34,000. Part of this reduction may be attributed to the 24 per cent fall in unemployment amongst young people since 1996 which will have lifted them out of HB entitlement; others will have failed to claim or will have remained in, or returned to, the parental home. While such factors will have contributed to reducing the total number of SRR cases, a proportion of the reduced numbers of former SRR cases are likely to have found themselves in marginal forms of housing.

- The July 2001 changes to the SRR increased the allowances slightly, but the available evidence indicates that it made no appreciable difference to the supply, or quality, of accommodation available to young claimants or their ability to access it.

- The restrictions that the SRR places on young claimants’ ability to access private rented housing is preventing many from finding any private rented sector accommodation within their means. This, combined with the widely reported reluctance of many landlords to let to young people, appears to have resulted in a situation where many young people enter informal lettings or end up using ‘friends’ floors’ or (in those parts of the country with low demand for council housing) are being offered public housing on the more problematic run-down estates.
Many of the parties consulted in the course of this research regarded the SRR as associated with a number of negative repercussions for wider social and welfare policies. They regard it as hampering the effectiveness of other housing and community initiatives aimed at promoting social cohesion and inclusion. In particular, its effects are held by several of the bodies consulted as undermining efforts to get young people into employment by not providing them with the stable housing base they need to take up training and jobs.

Research aims and methods

In August 2003, the Department for Work and Pensions (DWP) commissioned IRIS Consulting in association with Dundee University to carry out an evaluation of the effects of the changes to the SRR HB regulations that were introduced in July 2001. The three main aims of the research were to evaluate:

1. The various ways in which the SRR regulations affect claimants and the choices they make about their accommodation.
2. The effects that the July 2001 regulations have had on shortfalls between contractual and determined rents.
3. How the July 2001 regulations have influenced landlord behaviour and letting strategies.

The research brought together data from a wide range of sources. The main strands comprised:

- interviews with national stakeholders (see Appendix A for a list of stakeholders);
- a data audit to assess the availability and quality of existing sources of information;
- the collation of background contextual information for each selected case study area;
- interviews with HB administrators, claimants, landlords/letting agents, advice agencies and Rent Officers in eight local authority case study areas;
- assembling information at the national level on the impacts on rent levels, shortfalls and access to accommodation associated with the introduction of the July 2001 changes.

Policy background

It is a fundamental principle of the HB scheme that it should meet reasonable rents. The current scheme and its predecessors have always featured some mechanism to limit the amount of rent eligible for benefit (‘eligible rent’). No HB system could function without limits of some sort – for reasons both of cost and to avoid distorting the market. For many claimants in the Private Rented Sector (PRS) the current restrictions on eligible rent derive from the Local Reference Rent (LRR) introduced in January 1996.
The SRR was introduced in October 1996. It applies to single childless claimants below 25 years of age and originally restricted the eligible rent to that deemed to be appropriate to single-room accommodation with a shared kitchen and toilet in the locality. In July 2001, the Government responded to concerns about the SRR by extending its scope to include a shared living room, seeking to reflect more adequately the cost of shared accommodation.

The HB system is currently undergoing significant reform, most notably through the Local Housing Allowance (LHA) scheme. LHAs are being tested in nine Pathfinder local authorities, for tenants in the deregulated PRS. An additional group of nine local authorities are joining the Pathfinders in implementing LHA from April 2005. A tenant’s LHA is calculated on the basis of their household size and location in terms of the broad rental market area in which they live.

Single claimants aged under-25 years who do not have a non-dependant living with them are entitled to the new shared room rate. This is a more generous definition than the existing SRR. It is based on properties where, while the tenant has a room or bedsit of their own, all or some of the facilities are shared (such as kitchen/cooking facilities, bathroom and toilet, and a room suitable for living in).

Research findings

Impact of the July 2001 SRR changes on rent levels, shortfalls and access to accommodation

- After removing the effect of background market forces, referred rents rose as a result of the reform by around £3.50 per week (4.8 per cent increase) and the mean SRR increased by around £2.50 (5.4 per cent increase).

- The July 2001 reform served, somewhat perversely, to increase shortfalls marginally between contractual and eligible rent among SRR claimants.

- These impacts are small and it is difficult to conclude that the July 2001 reform has had more than a marginal impact on access to accommodation, referred rents, SRR levels and shortfalls.

- Nearly 87 per cent of SRR claimants faced a shortfall in the first quarter of 2002, including nearly 70 per cent of those living in accommodation that meets the post-July 2001 SRR definition, compared to only 56 per cent of those not subject to the SRR regulation.

- The mean shortfall faced by SRR claimants in the first quarter of 2002 was £35.14 per week, more than double the £16.34 faced by non-SRR HB claimants. However, among SRR claimants who live in accommodation that meets the post-reform definition, the mean shortfall was £18.10, only slightly greater than the shortfalls among non-SRR claimants.

- The proportion of SRR claimants who live in accommodation that meets the SRR definition continues on a downward trend that was present prior to the July 2001 reform. Since the beginning of 2001 the majority of SRR claims have been for self-contained dwellings.
Work incentives

- The researchers concluded that work incentives are not significantly related to the eligible rent. As the needs allowances (‘applicable amounts’) and eligible rent are the same whether the claimant is in or out of work, the system will pay the same benefit at the same level of net income regardless of the claimant’s employment status.

- The researchers found that there appears to be a very low level of awareness amongst claimants of the possibility of claiming HB when in work.

- Living in temporary housing arrangements are likely to make job-seeking by young people more difficult.

Trends in SRR caseload since 1996

- Since the SRR was introduced in 1996 there has been a steady and substantial decline in SRR caseload numbers. There was no noticeable effect on this decline when the SRR rules were modified in July 2001. Our best estimate of SRR cases for England is that the number of live SRR cases had fallen to around 10,000 live cases by December 2003 (or some 34,000 SRR determinations for the whole of 2003, compared with 101,270 in 1997/98).

- The eight case study local authorities had, in December 2003, SRR caseloads in the range of 17 – 62 live cases.

- The general view of participants in the research was that the low number of SRR cases is due to the increased reluctance of landlords to let to young people and the inability of young people to access private lettings because of the level of rent shortfalls they face.

Measures to provide extra help

- Pre-tenancy determinations were generally seen as helpful by research participants, although they also had their limitations, notably a reluctance to co-operate on the part of some landlords, especially in areas of high demand.

- Almost all the case study areas visited tended to have a single SRR rate for the whole local authority area and this became well known to landlords and advisers. Benefit officers, and particularly advisers, often played a significant role in communicating this to claimants.

- Discretionary Housing Payments (DHPs) could potentially play a useful role in helping young people sustain a tenancy and avoid arrears. However, in almost all case study areas, under-25 single claimants were a low priority for assistance through DHPs.

- DHP applications were promoted by various parties – mostly advisers but sometimes by experienced landlords. Claimants knew little, or nothing, about them.
Impacts on young people’s access to the private rented sector

- In all the case study areas there was a view amongst research participants that landlords had become more and more reluctant to let their properties to young people – and to under-25 year old claimants in particular. While most felt that there were more reasons for this than the just the effect of the SRR, nevertheless the SRR had helped to reinforce this trend.

- We found that letting agencies were as likely to accept claimants as were landlords if low demand made it necessary. Both generally preferred to take tenants other than under-25 year old claimants. Newcomers to the letting market tended to be more open minded about letting to young claimants.

- Access to council housing was a possibility for some young people in areas of low demand, but previous arrears in the PRS could be a barrier and the hazards of ‘hard-to-let’ estates could be a deterrent.

- Supported accommodation provided by councils and housing associations under the Supporting People programme was sometimes a possibility. The key problem here was that there was not enough of this type of accommodation. When such facilities were opened, demand quickly outstripped supply.

- Many participants in the case study areas suggested that the use of friends’ floors was the main fall-back for those who fail to find independent accommodation or have been evicted from their tenancy. No case study area reported a significant problem of rough sleeping.

The wider effects on young people

- Rent arrears, sometimes leading to eviction (or abandonment of the tenancy), were widely seen as potential consequences of shortfalls between HB and the contractual rent, as were other forms of debt, including borrowing from friends and family as well as commercial loans of one kind and another.

- Going without essentials such as fuel or an adequate diet was widely seen as likely to result from HB shortfalls. It was often pointed out that the lower levels of Income Support and Jobseeker’s Allowance applicable to under-25 year olds exacerbated the effects of HB shortfalls.

- Some claimants who were separated parents mentioned that living in a room with shared facilities was an obstacle to having sufficient access to their children.

- Shared accommodation may be particularly difficult for pregnant women.

- Former care leavers over 21 years of age do not attract the exemption from the SRR that applies to their younger counterparts.

The views of Rent Officers

- The July 2001 changes were not seen by Rent Officers as having made any significant difference either to the method of calculation of the SRR or in terms of the reaction of the market.
Wider policy issues and views on possible reform of the SRR

- A widespread perception amongst the national stakeholders and in the case study discussions was that the SRR had discouraged landlords from letting to under-25 year olds and discriminated against an age group that contained many vulnerable groups and those who increasingly aspired to independent housing.

- Many of those participating in the case studies expressed the view that the SRR should be abolished. Few considered that adjusting the current SRR rules (for example adjusting the age range or extending exemptions) would provide an effective way of mitigating the SRR’s perceived effect of preventing young people obtaining access to the private rented housing market.

- At the time there was some uncertainty as to how the SRR was to feature in the new LHA system. The general view though was that the restriction of young single people to a broadly corresponding provision in the proposed structure would have the effect of continuing restricted access to accommodation.

- The view was frequently expressed that the SRR ran counter to a range of other Government policies relevant to young people. Examples cited were policies to: prevent homelessness; improve the quality of the housing stock; build sustainable communities; promote social inclusion; rehabilitate offenders; tackle drug and alcohol abuse and generally to convey positive messages to young people concerning their role in society.
1  Introduction

1.1  Aims of the research

In August 2003, the Department for Work and Pensions (DWP) commissioned IRIS Consulting in association with Dundee University to carry out an evaluation of the effects of the changes to the Single Room Rent (SRR) Housing Benefit (HB) regulations that were introduced in July 2001. The three main aims of the research were to evaluate:

1) The various ways in which the SRR regulations affect claimants and the choices they make about their accommodation.

2) The effects that the July 2001 regulations have had on shortfalls between contractual and determined rents.

3) How the July 2001 regulations have influenced landlord behaviour and letting strategies.

In order to meet these aims of the research it has been necessary to bring together data from a wide range of sources. The main strands of the research comprised:

• An initial round of interviews with national stakeholders interested in the SRR (see Appendix A for a list of stakeholders).

• A data audit that assessed the availability and quality of existing sources of information relevant to the SRR.

• The development of the detailed research design including the selection of local case study areas.

• The collation of background contextual information for each selected case study area.

• Carrying out interviews with HB administrators, claimants, landlords/letting agents, advice agencies and Rent Officers in eight local authority case study areas.

• Drawing up at national level information on the impacts on rent levels, access to accommodation and income profiles associated with the introduction of the July 2001 changes.
The research design has sought to take into account the wider national social and economic trends alongside the specific local factors at play. An outline of the methods used in this research project is contained in Section 2 of this report with a more detailed description at Appendix B.

1.2 Background to the SRR and the local reference rent

The current HB scheme and its predecessors have always featured some mechanism to limit the amount of rent eligible for benefit (‘eligible rent’). Clearly no HB system could function without limits of some sort – for reasons both of cost and to avoid distorting the market.

For many claimants in the private rented sector (PRS) the current restrictions on eligible rent derive from the Local Reference Rent (LRR). The LRR was introduced in January 1996. It is determined by Rent Officers for a given size of property in a particular locality, representing the mid-point of a range, excluding upper and lower extremes. The influence of HB availability on the rent is also excluded by the Rent Officers from the calculation.

The SRR was introduced in October 1996. It applies to single, childless claimants below 25 years of age. The SRR originally restricted the eligible rent (using a similar methodology to the LRR) to that deemed to be appropriate to single-room accommodation with a shared kitchen and toilet.

The concept of a restricted benefit provision for single, childless claimants under-25 years of age dates back to 1988, when lower rates of Income Support were introduced for this group. These replaced the previous distinction in the Supplementary Benefit scheme between householders and non-householders (regardless of age) which had been difficult to administer. However, the then Government took the view that setting a lower rate for this group would represent a desirable incentive to remain in, or return to, the parental home and also argued that young people generally have lower earnings expectations and commitments.

In this context it is relevant to note that the Income Support and Jobseeker’s Allowance (JSA) rates cross over into the Housing and Council Tax Benefit (CTB) schemes, as the HB/CTB ‘applicable amounts’ (or needs allowances) are aligned with them, including the lower rate for single, childless under-25 year olds. Needs allowances represent non-housing expenditure – that is the assumed combined costs of food, clothing, fuel, water, other household necessities and (since 1988) loan repayments for ‘lumpy’ items such as cookers and furniture. Above this level a proportion of net income is deemed to be available for housing costs (currently 65 per cent for rent and 20 per cent for council tax) – hence there is a ‘tapered’ reduction of HB and CTB for claimants as income rises.

The introduction of the SRR in 1996 took place in the context of efforts to restrain the growth of HB spending on rents for accommodation in the PRS. Also, at the time, the desirability of providing incentives for single childless under-25 year olds to
remained in the parental home was also cited as a reason in support of the policy. Commenting on the changes, the then responsible Minister said:

‘Housing Benefit should not provide an incentive to young people to leave their parental home unnecessarily or to take on more highly priced accommodation at the taxpayer’s expense than they could afford from their own earnings. The higher the benefit paid, the greater the disincentive to work.’

(Department of Social Security press release: 7 October 1996.)

The then Government subsequently proposed that, from October 1997, the SRR should be extended to age 59 (a measure not, in the event, implemented by the succeeding administration). This suggests that the ‘parental home’ consideration was probably not the main driver of the SRR policy. Whatever the original policy motivation may have been, the incentive to remain, or return, to the parental home seems to have faded as an issue in more recent times, to be replaced by a greater emphasis on the work incentives dimension.

So, although this research was commissioned specifically to look at the effects of the changes introduced in July 2001, it is difficult to unpack the effects of these changes from the overall effects of the SRR since its introduction in 1996.
2 Study methods

2.1 Overview

In this section of the report we summarise the main methods that were used in carrying out this research project. A more detailed description is at Appendix B.

It was envisaged from the outset that a mix of desk research, using quantitative analysis, and in-depth case study methods, using qualitative analysis, would be needed in order to meet the objectives of the research. The research was carried out in four main stages, namely:

- **Stage One:** Project set-up and initial stakeholder interviews.
- **Stage Two:** Data audit and development of research design (including selection of case study areas).
- **Stage Three:** Case study fieldwork and interim analysis.
- **Stage Four:** Final analysis and reports.

The research methods and techniques used in each of these four stages are described below.

2.2 Stage One: Project set-up and initial stakeholder interviews

The main element of Stage One was to contact and interview national organisations with an interest in the policy and workings of the Single Room Rent (SRR). The list of organisations identified and interviewed, which was agreed in advance with the Department for Work and Pensions (DWP), is given at Appendix A. These organisations covered the following general types:

- welfare/lobby groups.
- professional bodies.
• landlord representative groups.
• Government departments.

The main purposes of interviewing national stakeholder bodies at the outset of the research were to:
• alert key opinion formers and professional interests that the research was about to get underway and to obtain their views on the salient issues they thought it should cover;
• help identify issues, existing sources of information, contacts and references that would prove relevant and useful at later stages of the research.

2.3 Stage Two: Data audit and development of research design (including selection of case study areas)

2.3.1 Data audit
The data audit conducted at Stage Two reviewed the likely sources of data and information that would be relevant to the analysis of key research themes and issues (some of which were highlighted in the initial round of stakeholder interviews). These included:
• Rent Officer data.
• The family expenditure survey.
• The family resources survey.
• Recent English, Scottish and Welsh house condition surveys.
• The survey of English housing.
• The 2001 census of population.

The key issues that the research aimed to investigate through analysis of these data sources were:
• Impact on rents and the shortfall of SRR determinations to rents.
• Access of under-25 year olds to private sector accommodation.
• Impact of the changes to the SRR in July 2001.
• Contextual information relating to the case study areas.
• Analysis in relation to work incentives for young claimants.

2.3.2 Project design
The design of the research envisaged two separate strands of work coming together to provide the basis of our conclusions. One strand would be evidence gathered
from case studies, looking at the effects of SRR on claimants, landlords and other stakeholders at the local level. The other strand would comprise quantitative analysis of national and local data sources to throw light on key issues to be reviewed by the research.

### 2.3.3 Case studies

Stage Two was also concerned with identifying eight local authority areas that would be invited to participate as local case studies. The main criteria for the choice of case studies were:

- Areas that captured a range of differing housing market contexts from high demand to low demand.
- Areas that included a geographical spread (including a Scottish and Welsh authority in the eight selections).
- Areas that reflected a variety in the type of local authority (metropolitan, districts, unitaries) and in case loads (urban, rural).
- Areas with a range of socio-economic conditions.

### 2.4 Stage Three: Case study fieldwork and interim analysis

Stage Three was mainly concerned with collecting information from the case study fieldwork. The analysis of data identified in Stage Two was also carried out concurrently as a related strand of the research. We identified six main groups of respondents in the case studies from whom the research aimed to obtain views. These were:

1. Local Authority benefits administrators.
2. Local Authority Housing Strategy officers.
3. SRR claimants.
4. Landlords.
5. Claimant advisers.
6. Rent Officers in each area.

The original plan was to invite groups of claimants, advisers and landlords in each area and conduct focus group discussions with them to obtain the collective views of each group. We planned to interview the other respondents on a one-to-one basis. In the event, because of the low numbers of SRR claimants in each area the number

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1 The term Rent Officer is used as a generic term throughout the paper. Rent Officers are covered by three organisations throughout Great Britain: The Rent Service (covers England), the Rent Registration Service (in Scotland) and the Rent Officer Service (in Wales).
of people attending each meeting was relatively unpredictable, so an interview or group discussion format was adopted according to how many respondents attended. In some cases we met with numerous benefits administrators while landlords and claimants often attended singly. A breakdown of the numbers interviewed in each case study area are given in paragraph 35 of Appendix B.

For each group, topic lists were drawn up so that the issues were discussed consistently with respondents from all areas. The topic lists were applied flexibly at the discussions to allow themes to be pursued and followed through on issues that respondents found particularly relevant to the SRR. Following the meetings, the topic lists and answers were written up to form a record of the case studies which then provided a basis for drawing conclusions and preparing our reports.

In addition to the case study fieldwork, Stage Three also involved drawing up contextual information for each study area from available data sources. This information is embodied in the later sections and Appendix B to this report. It describes the local socio-economic characteristics, labour market and housing market conditions of each area, in order to help inform assessments as to whether these background conditions have a bearing on any variation in responses cited in the fieldwork discussions.

Stage Three concluded with the drafting of a report containing emerging issues that formed the basis of discussions with DWP officials.

2.5 Stage Four: Final analysis and reports

The final report consolidated the case studies and national level quantitative analysis into an overall assessment enabling the following research issues to be addressed:

- Collation of information in relation to the research objectives.
- Reference to national policy objectives for the SRR and options for taking those policies and their administration forward.
- The impacts associated with the introduction of the July 2001 SRR regulations.

This research has focused on the range of experiences for claimants and landlords in respect of the SRR. We have assessed whether there are different impacts according to the local housing market and the socio-economic circumstances of the affected parties. Specifically our analysis covered:

1. The understanding and awareness of the SRR regulations (including pre-tenancy determinations) amongst under-25 year old HB claimants
2. The extent to which the SRR regulations influence negotiations about rents and access to accommodation
3. The extent to which landlord behaviour is influenced by the SRR regulations
4. The effects on work incentives for young people.
The main intermediate and final outputs from the research have been:

- Drafts of the research instruments for comment and agreement prior to use (interview check-lists etc.).
- Progress reports at appropriate stages of the work.
- Interim and final reports containing findings and conclusions having regard to the developing policy context of a move towards Local Housing Allowances.
3 Research findings

In this section of the report we set out the main findings arising from our research under the following headings and sub-sections:

1. the impact of the July 2001 changes on rent levels, impact on shortfalls, access to accommodation
2. the effects on work incentives
3. trends in Single Room Rent (SRR) caseload from 1996 to the present
4. the effects on young claimants
5. measures to provide additional help (such as pre-tenancy determinations and Discretionary Housing Payments DHPs)
6. the role of Rent Officers
7. our general conclusions on these issues.

3.1 Impact of the Single Room Rent and the July 2001 changes on access to accommodation, rent levels and shortfalls

Prior to the July 2001 reform, there were concerns regarding the high levels of ‘shortfall’ between rent payable to the landlord and rent eligible for Housing Benefit (HB) among claimants subject to the SRR regulation. It is to be expected that the average SRR determined by Rent Officers based on ‘market evidence’ (i.e. non-HB lets) would increase after the reform since accommodation with additional housing space (compared to that prior to the reform) was included in the calculation of the SRR since 1 July 2001.

Increased SRRs around the country, other things being equal, would be expected to reduce shortfalls. However, this could be mediated by claimants becoming more likely to live in rooms with shared use of living space, thus offsetting any reduction in shortfall resulting from a higher SRR. In addition, there is the possibility that landlords may increase asking rents in order to exploit the more generous regime, again serving to counteract any reduction in shortfall resulting from a higher SRR.
This section of the report therefore examines the trends around the time of the reform in the type of accommodation occupied by SRR HB claimants, SRR levels, rent levels and shortfalls. The main objective of this analysis is to assess whether the reform achieved its aim of helping single childless people aged under-25 years access accommodation in the Private Rented Sector (PRS) and whether financial hardship among SRR HB claimants has to some extent been alleviated.

We carried out analysis of HB referrals to the Rent Officer between 2000 Quarter 2 and 2002 Quarter 1. At the time of the analysis, this was the most recent referrals data available from the Rent Service. Nevertheless, this two-year period covers a sufficient period either side of the July 2001 reform to the SRR in order to discern the impact of the reform from background trends and market forces.

Since the reform took effect from the beginning of the third quarter in 2001 rather than midway through a quarter, a comparison of 2001 Q2 and 2001 Q3 is of particular interest. However, as will be demonstrated, the full impact of the reform was not felt until the fourth quarter of 2001.

The remainder of this sub-section is organised under three headings:

1. Access to accommodation.
2. Rent and SRR levels.
3. Shortfalls.

3.1.2 Sub-section summary of findings

- It has been estimated that, after removing the effect of background market forces, referred rents rose as a result of the reform by around £3.50 per week (4.8 per cent increase) and mean SRR by around £2.50 (5.4 per cent increase).
- The reform served, somewhat perversely, to marginally increase shortfalls between contractual and eligible rent among SRR claimants.
- However, these impacts are small and it is difficult to conclude that the July 2001 reform has had more than a marginal impact on access to accommodation, referred rents, SRR levels and shortfalls.
- Nearly 87 per cent of SRR claimants faced a shortfall in the first quarter of 2002, including nearly 70 per cent of those living in accommodation that meets the post-July 2001 SRR definition, compared to only 56 per cent of those not subject to the SRR regulation.
- The mean shortfall faced by SRR claimants in the first quarter of 2002 was £35.14 per week, more than double the £16.34 faced by non-SRR HB claimants. However, among SRR claimants who live in accommodation that meets the post-reform definition, the mean shortfall was £18.10, only slightly greater than that among non-SRR claimants.
The proportion of SRR claimants who live in accommodation that meets the SRR definition continues on a downward trend that was present prior to the July 2001 reform. Since the beginning of 2001, the majority of SRR claims have been for self-contained dwellings.

### 3.1.2 Access to accommodation

Figure 3.1 illustrates the type of accommodation occupied by HB claimants subject to the SRR. Categories reported accord with the SRR criteria in force a) before the July 2001 reform (‘non-self-contained room, with no shared room’) and b) after the reform (‘non-self-contained room, with one shared room’), plus one reflecting self-contained dwellings.

We might expect the July 2001 reform to have increased the proportion of SRR claims for a ‘non-self-contained room, with one shared room’, i.e. the new SRR definition introduced at that time. However, contrary to this expectation, this proportion fell marginally, from 19.4 per cent of SRR cases in the second quarter of 2001 to 19.3 per cent in the third. This appears to be part of a longer-term downward trend in the occupation of non-self-contained accommodation by SRR claimants quite independent of the reform. Nevertheless, the slightly more generous SRR post-July 2001 may have enabled a small number of HB claimants subject to the SRR to access self-contained accommodation who, prior to the reform, may have decided the shortfall was too great.

Indeed since the beginning of 2001, the majority of SRR claims have been for self-contained dwellings. This suggests reluctance on the part of claimants to live in non-self-contained accommodation and/or reduced availability of such property for let in the PRS.
Figure 3.1 SRR cases by selected accommodation type, 2000 Q2 – 2002 Q1

3.1.3 Rent and SRR levels

It might be expected that the more generous post-July 2001 SRR regime would result in claimants referring higher contractual rents for two reasons. First, a higher proportion of claimants living in accommodation with shared use of living space (although Figure 3.1 has shown, surprisingly, that this has not occurred); and second, landlords might raise rents in response to the more generous regime. Similarly, we might expect the average SRR determined by Rent Officers based on ‘market evidence’ to increase since accommodation with additional housing space was included in the calculation of the SRR since 1 July 2001.

2 It was hoped to amalgamate referrals data from the English, Scottish and Welsh Rent Services. However, at the time of analysis, it was not possible to obtain Welsh data for 2001/02 or Scottish data for either year. In both cases this was due to delays in the validation of the data required prior to its release as a result of changes to software. Since Welsh data were not available for the period after the reform, the Welsh cases were removed from the 2000/01 data file in order to ensure comparability between all eight quarters. The resultant data file contained just over 1.2 million referrals for HB determinations or Pre-tenancy determinations (PTDs) in the PRS. Of these just over 178,000 related to claimants (or, in the small number of PTD cases, potential claimants) subject to the SRR regulation.
Figure 3.2 confirms this, showing that there were small rises in both the SRR and contractual rents referred by SRR claimants in the two quarters following the reform. Mean SRR rose in the period immediately after the reform from £43.69 per week in 2001 Q2 to £46.26 in 2001 Q3 and stabilised at just under £49 per week by the end of 2001. Hence the July 2001 reform appeared to take a few months to feed through to higher SRRs rather than instantaneously, which might have been expected (we understand that this was due to time lags in local authorities implementing the revised system).

The increase in the mean level of SRR determinations of nearly £6 over this six-month period was closely mirrored by a similar-sized increase in contractual rents referred by HB SRR claimants. The mean level of referred rent among SRR claimants rose from £72.25 per week in the second quarter of 2001 to £77.85 per week by the end of that year.

**Figure 3.2 Mean referred rent and Single Room Rent for SRR cases, 2000 Q2 – 2002 Q1**

Some of the increase in rents referred by SRR claimants can be accounted for by the increasing proportion living in self-contained dwellings (see Figure 3.1) which, in general, will command higher rents. However, mean rent, referred by SRR claimants for non-self-contained rooms, also increased after the reform, as shown in Figure 3.3. Mean rent, referred by SRR claimants for a non-self-contained room with no shared living space, rose by 4.4 per cent between 2001 Q2 and the end of 2001, from £58.90 per week to £61.50. Referred rents, among SRR claimants in a non-self-contained room with shared living space, rose by 0.9 per cent over the same period, from £57.10 to £57.60 (although it rose more sharply in the following quarter to £59.50).
This implies that the reform was responsible for at least some of the rise in referred rents for a given type of accommodation, possibly as a result of landlords exploiting the more generous HB regime by raising asking rents. Indeed, previous research into the PRS has indicated that some landlords attempt to influence the level of SRR determinations by charging at, or above, the current SRR\textsuperscript{3}.

**Figure 3.3** Mean referred rent for SRR cases by type of non-self-contained room, 2000 Q2 – 2002 Q1

An important caveat with drawing conclusions based on the changing levels of referred rent and SRR around the time of the 2001 reform is that the magnitude of changes induced by other factors, principally the relative availability of SRR-eligible accommodation, is unknown. However, it is possible to make inferences about what may have happened to referred rent and SRR levels in the absence of the reform based on what happened over the same period in the rest of the PRS.

Since the Local Reference Rent (LRR) is based on market evidence taken from private lets where HB payment is not involved and relates to housing sub-markets unaffected by HB reforms during this period, changes in the LRR reflect changes in market forces operating generally in the PRS. Thus, changes in the LRR can give an indication of what may have happened to SRR levels in the absence of the July 2001 reform. Similarly, changes in referred rent among non-SRR cases can be compared against changes in referred rent among SRR cases.

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Figure 3.4 shows mean LRR, SRR and referred rents for SRR cases and non-SRR cases. Comparing SRR and non-SRR cases, we can see that both mean LRR and mean referred rent for non-SRR cases increased in the period after July 2001, suggesting that the increases in SRR and referred rent among SRR cases shown in Figure 3.2 may in part be the result of market forces. However, the percentage increases between the second and fourth quarters of 2001 among SRR cases are markedly greater than those among non-SRR cases, as demonstrated in Table 3.1.

**Figure 3.4 Mean referred rent, single room rent and local reference rent, 2000 Q2 – 2002 Q1**

![Graph showing rent changes from 2000 Q2 to 2002 Q1 for referred rent, single room rent, and local reference rent for SRR and non-SRR cases.]

Source: Rent Officer Referrals Data (England)

<table>
<thead>
<tr>
<th>Rent category</th>
<th>2001 Q2</th>
<th>2001 Q4</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRR cases:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Referred rent</td>
<td>72.25</td>
<td>77.45</td>
<td>+5.20</td>
</tr>
<tr>
<td>SRR</td>
<td>43.69</td>
<td>48.16</td>
<td>+4.47</td>
</tr>
<tr>
<td>Non-SRR cases:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Referred rent</td>
<td>87.79</td>
<td>89.86</td>
<td>+2.07</td>
</tr>
<tr>
<td>LRR</td>
<td>87.57</td>
<td>91.40</td>
<td>+3.83</td>
</tr>
</tbody>
</table>

Source: Rent Officer Referrals Data (England)

Table 3.1 implies that around £3.50 of the observed £5.20 increase in rents referred by SRR claimants may be the result of the July 2001 reform (7.2% - 2.4% = 4.8% increase). Similarly, approximately £2.50 of the observed £4.47 increase in mean SRR may be due to the reform (10.2% - 4.4% = 5.8% increase).
However, these estimations (based on the figures in Table 3.1) assume that market forces act symmetrically in all sub-sectors within the PRS, i.e. that the rates of change in rents in the SRR and non-SRR sectors are the same. Figures 3.5 and 3.6 show for non-SRR cases the percentage change between the second and fourth quarters of 2001 in LRRs and referred rents respectively, by property sub-sector.

Although there are clear asymmetries between sub-sectors, as shown in Figures 3.5 and 3.6, the rate of increase in each is appreciably less than that among SRR cases. This suggests that both SRRs and rents referred by SRR claimants have indeed increased as a result of the July 2001 reform. Although some of the increase in referred rent is the result of increased uptake of self-contained accommodation, this explanation cannot account for the increase in the mean SRR (which is not affected by changes in the property-type composition) or the increase in rents referred by SRR claimants for non-self-contained rooms.

**Figure 3.5**  
Change in local reference rent for non-SRR cases, 2001 Q2 – Q4, by dwelling type and size (SRR = 10.2 per cent)

<table>
<thead>
<tr>
<th>Dwelling Type</th>
<th>Change 2001 Q2 – Q4 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Converted flat/maisonette with two rooms or less</td>
<td>3.1%</td>
</tr>
<tr>
<td>Converted flat/maisonette with three rooms or less</td>
<td>5.0%</td>
</tr>
<tr>
<td>Purpose-built flat/maisonette with two rooms or less</td>
<td>3.3%</td>
</tr>
<tr>
<td>Purpose-built flat/maisonette with three rooms or less</td>
<td>5.7%</td>
</tr>
<tr>
<td>House/bungalow with two rooms or less</td>
<td>2.4%</td>
</tr>
<tr>
<td>House/bungalow with three rooms or less</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: Rent Officer Referrals Data (England)
3.1.4 Shortfalls

An important aim of the July 2001 reform was to enable young childless single people to obtain better accommodation by adding shared living space to rent eligible for SRR HB cases. This sub-section assesses the extent to which this has been achieved by examining the proportion of SRR claimants who face a shortfall and the changing size of shortfalls through time. A shortfall is defined as referred rent being greater than rent eligible for HB, i.e. takes no account of shortfalls that can result when the means test is applied to calculate the amount of HB payable to a claimant.

**Incidence of shortfalls**

Figure 3.7 shows the proportion of SRR claimants that face a shortfall, by accommodation type, between 2000 Q2 and 2002 Q1. As would be expected, the July 2001 reform appears to have reduced the incidence of shortfalls among SRR claimants who live in non-self-contained rooms, both with and without shared living space. Immediately prior to the reform, 84.1 per cent of SRR claimants living in non-self-contained rooms without shared living space faced a shortfall between referred and eligible rent, falling by over ten percentage points to 73.8 per cent by the end of 2001. Similarly, the proportion with a shortfall in rooms with shared living space fell by over nine percentage points over the same period to just under 70 per cent.

However despite these improvements, the incidence of shortfalls among SRR claimants remains high, with nearly 87 per cent of all SRR claimants facing a shortfall in the first quarter of 2002. In comparison, a substantially lower proportion, 55.5 per cent, of HB claimants in the PRS not subject to the SRR faced a shortfall in this
quarter. Shortfalls among those subject to the SRR who opt to live in self-contained accommodation remained very high throughout this two-year period, with over 97 per cent facing a shortfall in 2002 Q2.

The July 2001 reform appears to have reduced the incidence of shortfalls among those living in non-self-contained rooms. However, since less than half of all SRR claimants live in such accommodation (see Figure 3.1), the overall effect on shortfalls has been fairly marginal. Although the proportion of SRR claimants facing a shortfall fell from around 90 per cent to around 87 per cent after the reform, this has to be seen in the context of longer-term decline in the incidence of shortfalls among all HB claimants in the PRS. In other words, even in the absence of the reform, it is likely that the incidence of shortfalls among those subject to the SRR would have fallen.

Figure 3.7 Proportion of SRR cases with a shortfall by selected accommodation type, 2000 Q2 – 2002 Q1

Size of shortfalls

Turning to the size of shortfalls, Figure 3.8 shows mean shortfalls for all SRR cases, non-SRR cases and SRR cases in accommodation that meets the post-reform SRR eligibility criteria. In the two quarters immediately after the reform, the average shortfall faced by those subject to the SRR rose from £32.38 to £35.50 per week. This rise in the average size of shortfall is consistent with the greater rise in referred rent than in SRR levels attributable to the reform noted earlier. Nevertheless, this conclusion has to be tempered by the fact that shortfalls may have risen in the absence of the reform – indeed, a similar magnitude of increase in the size of shortfall experienced by SRR claimants occurred prior to the reform, between 2000 Q2 and Q4.
Shortfalls among those living in a room with shared living space somewhat paradoxically appear not to have been influenced by the reform, indeed rose marginally in the first quarter after the reform. As with the increase in mean shortfall for all SRR claimants, this is the result of increases in the SRR being offset by increases in referred rents.

**Figure 3.8  Mean shortfalls, 2000 Q2 – 2002 Q1**

More striking than any marginal impact of the reform on shortfalls, is the difference in shortfall experienced by SRR claimants compared to those not subject to the SRR regulation. In 2002 Q1, the average shortfall faced by SRR claimants was £35.14 per week, more than double the £16.34 shortfall faced among non-SRR cases. The mean shortfall faced by SRR claimants living in a non-self-contained room, however, is consistently at a similar level to that experienced by those not subject to the SRR.

**Size distribution of shortfalls**

It is important to consider the distribution of shortfalls as well as the mean. Figure 3.9 shows the proportions of claimants with shortfalls in excess of £20 per week, 2000 Q2 to 2002 Q1. There is no discernible change around the time of the July 2001 reform, with the proportion of SRR shortfall cases in excess of £20 per week remaining stable at just below 60 per cent throughout the two-year period.

However, the proportion of SRR claimants living in accommodation that meets the SRR criteria who face a large shortfall is only slightly greater than that among non-SRR cases (around 28 per cent and 25 per cent respectively). Nevertheless, the overall proportion of all SRR cases with a large shortfall greatly exceeds that of non-SRR cases (just under 60 per cent compared to 25 per cent).
Figure 3.10 examines the size distribution of shortfalls among SRR cases and non-SRR cases in more detail. For clarity and since the size distributions of shortfalls for both groups are stable through time, these figures relate only to one quarter (2002 Q1). The majority of shortfalls among SRR cases fall in the larger bands while, conversely, the majority of shortfalls among non-SRR cases fall in the smaller bands. The majority of shortfalls among SRR cases are greater than £25 per week, whereas the majority of shortfalls among non-SRR cases fall below £12 per week.

**Figure 3.9** Proportion of cases with shortfalls in excess of £20pw, 2000 Q2 – 2002 Q1

![Proportion of cases with shortfalls in excess of £20pw, 2000 Q2 – 2002 Q1](image)

Source: Rent Officer Referrals Data (England)

**Figure 3.10** Size distribution of shortfalls, 2002 Q1

![Size distribution of shortfalls, 2002 Q1](image)

Source: Rent Officer Referrals Data (England)
**Understanding shortfalls**

Why are shortfalls so widespread and so large among HB claimants subject to the SRR regulation? Two factors could account for this. First, it may be that many SRR claimants live in accommodation that exceeds the SRR definition, either because accommodation that meets the SRR definition is not available in sufficient quantities or claimants deem shared accommodation so unsatisfactory that they are prepared to accept substantial shortfalls to avoid it. Second, it may be that accommodation that meets the SRR definition is available but at rent levels in excess of the SRR. We examine these two possible explanations in more detail below.

**Understanding shortfalls 1: SRR claimants live in accommodation that exceeds the SRR definition**

Figure 3.1 demonstrated that the majority of SRR claimants do not live in accommodation that meets the SRR definition. This is likely to account for some of the shortfall experienced by SRR claimants. Since self-contained accommodation is more expensive, shortfalls can be expected to be commensurately larger for SRR claimants living in such accommodation.

Figure 3.11 shows that this is indeed the case, with those living in a non-self-contained room (either with or without shared living space) having considerably lower mean shortfalls than those in larger and self-contained accommodation. For example, those living in a non-self-contained room with shared living space had a mean shortfall of £18.10 per week compared to £44.28 among those living in a self-contained dwelling in 2002 Q1. Given that 55.8 per cent of SRR claimants lived in a self-contained dwelling by 2002, around £25 (£44.28 x 0.558) of the £35.14 mean shortfall faced by SRR claimants as a whole can therefore be accounted for by claimants living in self-contained accommodation.

The mean shortfall faced by those in non-self-contained rooms is similar to that faced by non-SRR tenants (around £18 per week and £16 per week respectively). Thus, if all SRR claimants lived in accommodation that meets the SRR criteria, then there would be little difference in the size of shortfall experienced by SRR claimants and non-SRR claimants.

Paradoxically, the mean shortfall faced by those living in a non-self-contained room with no shared living space is slightly greater than that faced by those with shared living space. This appears to be chiefly because referred rents are correspondingly greater for rooms without shared living space – £63.70 per week in 2002 Q1 compared to £59.50 for rooms with shared living space. This suggests that rooms without shared living space are located in higher demand areas and/or are of better quality and/or are more desirable to tenants than rooms with shared living space (possibly because tenants can gain greater privacy in accommodation without shared living space).

As with the size distribution of shortfalls, the size of shortfall by accommodation type is stable through time, with the July 2001 reform having no discernable impact.
Indeed, the mean shortfall among those living in a non-self-contained room with shared living space was actually marginally lower immediately prior to the reform than in the period after July 2001 – £17.80 per week in 2001 Q2 and £18.10 per week in 2002 Q1.

**Figure 3.11 Mean shortfall of SRR cases by accommodation type, 2002 Q1**

![Bar chart showing mean shortfall of SRR cases by accommodation type, 2002 Q1.](image)

**Source:** Rent Officer Referrals Data (England)

**Understanding shortfalls 2: Contractual rents exceed SRR for accommodation that meets the SRR definition**

Even those who live in accommodation that meets the SRR definition face substantial shortfalls, albeit lower than other SRR claimants. For example, SRR claimants in non-self-contained rooms with shared living space faced a mean shortfall of £18.10 per week in 2002 Q2.

This demonstrates that rents referred for non-self-contained rooms by HB claimants exceed contractual rents observed for *non-HB lets in the same accommodation type* used by Rent Officers to calculate the SRR. This suggests that either SRR claimants are more likely to seek higher-quality non-self-contained rooms than tenants paying rent out of their own pocket, or that landlords artificially raise asking rents for HB claimants.

Shortfalls resulting for this reason would be expected to decrease after the July 2001 reform. This would be reflected in a reduced proportion of shortfall cases resulting from the SRR ‘biting’ as opposed to a ‘property-specific’ restriction (a property-specific restriction results when contractual rent referred to the Rent Officer for a specific property is deemed to be in excess of market valuation).
Figure 3.12 shows that the proportion of shortfalls among SRR cases resulting from the SRR ‘biting’ did indeed fall after the reform, from 94.2 per cent in 2001 Q2 to 92.2 per cent in 2001 Q4. However, this remains higher than a year prior to the reform, when the SRR accounted for around 90 per cent of the shortfalls among SRR cases. Figure 3.12 demonstrates that this proportion rose in the period immediately prior to the reform, from 90.8 per cent in 2000 Q3 to 94.2 per cent in 2001 Q2. Thus it is difficult to conclude that the July 2001 reform had more than a marginal impact on the likelihood of the SRR ‘biting’.

**Figure 3.12**  
Reason for shortfall among SRR cases,  
2000 Q2 – 2002 Q1

<table>
<thead>
<tr>
<th>Year</th>
<th>Per cent of shortfall cases in category</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Q2</td>
<td>90.0</td>
</tr>
<tr>
<td>2000 Q3</td>
<td>90.8</td>
</tr>
<tr>
<td>2000 Q4</td>
<td>91.7</td>
</tr>
<tr>
<td>2001 Q1</td>
<td>92.2</td>
</tr>
<tr>
<td>2001 Q2</td>
<td>94.2</td>
</tr>
<tr>
<td>2001 Q3</td>
<td>93.0</td>
</tr>
<tr>
<td>2001 Q4</td>
<td>92.2</td>
</tr>
<tr>
<td>2002 Q1</td>
<td>92.4</td>
</tr>
</tbody>
</table>

Source: Rent Officer Referrals Data (England)

Figure 3.13 shows the corresponding data for SRR claimants living in non-self-contained rooms with shared living space. Unsurprisingly, the SRR accounts for the shortfall in a lower proportion of these cases than for all SRR shortfall cases shown in Figure 3.12 – just over 75 per cent in most quarters as opposed to just over 90 per cent. However, as with SRR shortfall cases as a whole, the proportion where the SRR ‘bites’ among those in a non-self-contained room with shared living space rose immediately prior to the July 2001 reform and subsequently fell, but only back to levels a year prior to the reform. It is likely that the reform accounts for some of this change, although the overall impact is small.
It is difficult to argue that the July 2001 reform had a significant impact on the frequency with which the SRR ‘bites’. This conclusion is consistent with the earlier findings that referred rents rose by a greater margin than mean SRR levels after the reform.

### 3.1.5 Conclusions

This research estimates that, after removing the effect of background market forces, referred rents rose as a result of the reform by around £3.50 per week (4.8 per cent increase) and mean SRR by around £2.50 (5.4 per cent increase). This may be partly the result of increased uptake of self-contained accommodation, but may also be due to landlords raising rents in response to the more generous SRR regime. Since referred rents have risen by a greater margin than SRRs as a result of the reform, the net result may be that the reform, somewhat perversely, actually served to marginally increase shortfalls between contractual and eligible rent among SRR claimants.

However, these impacts are small and it is difficult to conclude that the July 2001 reform has had more than a marginal impact. This is true of access to accommodation, referred rents, SRR levels and shortfalls.

Of much greater magnitude than any impact of the July 2001 reform are the substantial differences between HB claimants who are subject to the SRR and those not subject to the SRR regulation. For example, nearly 87 per cent of SRR claimants faced a shortfall in the first quarter of 2002, including nearly 70 per cent of those
living in accommodation that meets the post-July 2001 SRR definition. This compares to only 56 per cent of HB claimants not subject to the SRR regulation.

Similarly, the mean shortfall faced by SRR claimants in the first quarter of 2002 was £35.14 per week, more than double the £16.34 faced by non-SRR HB claimants. However, among SRR claimants who live in accommodation that meets the post-reform definition, the mean shortfall was £18.10 in this quarter, only slightly greater than that among non-SRR claimants.

The proportion of SRR claimants who live in accommodation that meets the SRR definition continues on a downward trend that was present prior to the July 2001 reform. Since the beginning of 2001, the majority of SRR claims have been for self-contained dwellings. This suggests reluctance on the part of claimants to live in non-self-contained accommodation and/or insufficient availability of such property for let in the PRS.

Either way the implication of this trend continuing is that fewer claimants will live in accommodation that meets the SRR criteria and are, therefore, likely to face increasing shortfalls between contractual and eligible rent. This represents a substantial challenge for the long-term practicability of the SRR policy.

3.2 The effects on work incentives

In this sub-section we examine the impact which the July 2001 changes to the SRR may have had on the work incentives for HB claimants. In order to assess the incentive issues affecting young people, it is helpful to look closely at the way in which the HB scheme in general impacts upon work incentives, as problems often attributed to the eligible rent when out of work are in fact better understood in terms of the workings of the wider scheme.

**Needs allowances:** The needs allowances for HB are the same as the Income Support/Jobseeker’s Allowance (JSA) rates and represent a band of net income designed to cover the range of non-housing living costs described earlier in this report. The tapers do provide for some additional spending on non-housing costs (see below), but only to a very limited degree.

A number of case study participants pointed out the role of the lower needs allowance in exacerbating the difficulties associated with the SRR. Some drew attention to the fact that this group is also excluded from the Working Tax Credit and that there is a lower statutory minimum wage for younger workers under 22 years of age.

**Tapers:** As noted above, the tapers for HB and CTB are 65 per cent and 20 per cent respectively of net income above the needs allowance. In other words only 15p in the £ is permitted for spending on other items. Advisers in one area (Midlands city) commented that, the wages realistically on offer for this group are typically at the minimum wage and ‘people don’t want to see their earnings going mostly on accommodation’.
Work expenses: An earnings disregard is included in the HB calculation to mitigate the effect of work expenses. This is uprated infrequently, on an ad hoc basis, and for some years has stood at £5.00 per week for single claimants. This may well leave a claimant with an income below JSA level after work expenses and housing costs have been accounted for. One of our case study claimants (Welsh rural/coastal authority) gave us examples of job offers he had had to turn down for this reason.

Non-dependant deductions: These are deductions from eligible rent made to reflect the assumed contributions of non-dependants, such as grown-up children and elderly relatives. They need not detain us too long in the context of this report, as HB claimants are by definition not themselves non-dependants, while young claimants who have non-dependants living with them are not subject to the SRR. However, there is a connection in that a non-dependant grown-up child who gets a job will trigger a significant reduction in his or her parents’ HB and CTB. Some case study participants mentioned that this may lead to pressure not to take up a job, or to leave the parental home, seeing it as inconsistent with the policy objectives both of promoting job-seeking and of encouraging young people to stay in the parental home.

Administrative problems: Several claimants, landlords and advisers in the case studies were critical of the administration of HB locally, reporting delays, arrears and consequent friction between landlord and tenant.

Awareness of potential eligibility: Welfare rights advisers have long reported that many claimants, employed or unemployed, seem to be unaware of the existence of in-work HB. This was borne out in our case studies. With the exception of some members of one of the focus groups (Welsh rural/coastal authority) the case study participants believed, wrongly, that HB was not payable to people in full-time work. (Some knew that it might still be payable if in part-time work.) This general misapprehension is, no doubt, encouraged by the combination of lower needs allowances, restricted eligible rents and the steep taper – which do indeed cause HB to taper out very rapidly for all but the very low paid. (‘They are out of entitlement very quickly’ – HB administrator, Scottish city). However given that most of our claimants almost certainly would be very low paid if in work – and are not eligible for working tax credit – it is both interesting and a cause for concern that they were not aware of the possibility of in-work HB.

3.2.1 The SRR, work incentives and affordability of accommodation

Claimants’ requirements for taking up a job were largely wage-related – sufficient to cover the rent, other essential costs and work expenses, while still leaving enough over for employment to make a difference to their living standards. Some also said that the quality of the job was a consideration.

Some young claimants were looking at the possibility of part-time courses and needed advice on how this might affect their benefits. They felt they needed improved qualifications in order to compete for better-paid jobs. Several claimants in our case studies referred to their desire to ‘better themselves’. Some suggested
(south Midlands town) that part-time work was preferable to full-time, so that it could be combined with college.

We interviewed one claimant (southeast coastal/industrial authority), a young woman with mental health problems, who saw a possible return to work as preferable to a continuing struggle with benefit difficulties (although it should be said that sustained administrative problems with her claim were at least as important as the SRR in leading her to this conclusion).

More common, though, was the view that living in temporary housing situations are likely to make job-seeking (and participation in education and training) more difficult. A number of participants in this research made this point.

Also, as noted above, a young person may (even if aware of the availability of in-work HB and without significant work expenses) expect to have a greater disposable income after housing costs than the needs allowance and taper permit. (Advisers in our Scottish city case study pointed out that work itself brings with it a wider range of social obligations and a desire for a better lifestyle.) A low net gain from work can be seen as a work disincentive although, again, not caused by the eligible rent. A claimant discouraged by a low net gain from work will experience the same low net gain with or without the SRR, the eligible rent being a constant. One of our housing strategy interviewees commented that the relevance of the eligible rent here was in helping to determine the income range over which the taper disincentive operated.

3.3 Trends in SRR caseload from 1996 to the present

3.3.1 Effects on national SRR caseload

From both the case study discussions and the national stakeholder interviews, we found a general consensus that since the SRR rules were introduced in 1996 there has been a steady and substantial decline in the number of under-25 year old tenants who are claiming benefit to occupy private sector accommodation, evidenced by the continual decline in SRR caseload numbers. There was no noticeable effect on the decline in caseload when the SRR rules were modified in July 2001 (see analysis of Rent Officer statistics and the views expressed in case study discussions below).

National organisations are better placed to observe the decline in SRR caseload than individual local authorities, who are primarily involved in administering benefit cases rather than monitoring how various types of caseloads vary over time. All those we interviewed as part of this research considered that the total number of SRR cases had fallen dramatically in recent years. From our discussions with various national organisations (including the Chartered Institute of Housing, The Institute of Revenues, Rating and Valuation and the Rent Service) we estimate that the number of live SRR cases in England was around 10,000 – 15,000 as at December 2003.
A look at the figures shows SRR numbers more precisely. According to the research reported in ‘Housing Benefit and the Private Rented Sector’ (conducted by the London Research Centre and published by DETR in April 1999) there were 101,270 SRR determinations in England during 1997/98. The Rent Service provided information showing that there had been 34,062 SRR determinations in England throughout the whole of 2003. (These figures are for SRR determinations which may not necessarily become HB cases and also represent figures for the flow of determinations throughout a period.)

Other figures collected by the DWP through local authority Management Information System (MIS) returns gives caseload counts for a particular point in time. SRR numbers from this source show the following figures:

<table>
<thead>
<tr>
<th>Year</th>
<th>SRR Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>31,600</td>
</tr>
<tr>
<td>1998</td>
<td>33,200</td>
</tr>
<tr>
<td>1999</td>
<td>24,800</td>
</tr>
<tr>
<td>2000</td>
<td>17,900</td>
</tr>
<tr>
<td>2001</td>
<td>14,400</td>
</tr>
<tr>
<td>2002</td>
<td>11,000</td>
</tr>
<tr>
<td>2003</td>
<td>10,700</td>
</tr>
</tbody>
</table>

*Figures are for May in each year and have been rounded to the nearest hundred.*

*Source: Housing Benefit and Council Tax Benefit Management Information System 100 per cent caseload stock-counts.*

When asked for their views about the impact of the July 2001 changes on SRR caseloads, the general response from our case study discussions was that there had been little, or no, impact on the propensity of landlords to offer accommodation or on the ability of under-25 year olds to seek appropriate accommodation in the private rented sector.

Amongst the benefits officers interviewed, generally only those involved in administering benefits at the time of the changes could recall the change in the rules. Others who had taken up posts in benefits administration since July 2001 were usually unaware of the adjustment to SRR.

### 3.3.2 Patterns in the current SRR caseload

From our case study discussions with benefits administrators we ascertained that the selected local authorities had at the time (December 2003) SRR caseloads in the range of 17 – 62 live cases. Table 3.12 summarises the position that was reported by the Benefits office for each of the case study areas.

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### Table 3.2 Case study SRR case-loads

<table>
<thead>
<tr>
<th>Case study</th>
<th>Number of SRR cases reported at case study interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welsh rural/coastal authority</td>
<td>41</td>
</tr>
<tr>
<td>Scottish city</td>
<td>62</td>
</tr>
<tr>
<td>Midlands town</td>
<td>17</td>
</tr>
<tr>
<td>Southern industrial town</td>
<td>18</td>
</tr>
<tr>
<td>Northern town</td>
<td>40</td>
</tr>
<tr>
<td>Southern town</td>
<td>53</td>
</tr>
<tr>
<td>Midlands city</td>
<td>42</td>
</tr>
<tr>
<td>London borough</td>
<td>39</td>
</tr>
</tbody>
</table>

While all the Benefits offices reported that processing SRR cases has become relatively straightforward and they process cases as a matter of routine, they have no reason to monitor the number of live cases. They, therefore, all found the question about trends in the size of SRR caseload difficult to answer. Some administrators commented that software limitations meant that SRR caseload was difficult to identify, but also made the point that it was an item of information for which they were rarely asked.

### 3.3.3 Reasons for the decline in SRR caseload

When asked to speculate about the reasons for the decline in the number of SRR cases, most respondents at the case study discussions thought that it was due to landlords withdrawing from letting to under-25 year olds. Most were of the view that the SRR rule was prompting landlords to look much more critically at letting to young people, given the restriction on their ability to pay the rent when claiming benefit.

There was also a suggestion that the reduction in SRR cases might, in part, be due to an increase in the number of under-25 year old claimants being treated as exemptions. But there was no evidence from our discussions with Benefits administrators that there were significant errors in the identification of cases exempt from the SRR. Of the main exempt categories (single parents, severely disabled young people and claimants under 22 years who were formerly in care), administrators largely agreed that the care exemptions were the difficult category to spot. (Not all claim forms ask for this information.)

There are likely to be other factors at play in the decline of SRR numbers. Young people may be remaining in the parental home for longer, demographic changes may be having a impact, while some of the decline can be attributed to falling unemployment since 1996. Unemployment figures from the Labour Force Survey indicate that the number of people unemployed in the 16 – 24 age group in Britain fell from around 738,000 in 1996 to around 558,000 in 2003: a reduction of 24 per cent in unemployment. However it was the view of many stakeholders that a large
part of the reduction in the caseload is due to factors associated with the operation of the PRS and the HB system.

3.4 Measures to provide additional help

In this section we comment on the measures that many local authorities employ as a means to assist SRR claimants (amongst others) in gaining access to accommodation in the PRS.

3.4.1 Pre-tenancy determinations

Many of the respondents interviewed during the case study visits spoke positively in favour of PTDs. The idea that claimants who were looking for accommodation had an estimate of what rent might be eligible was generally considered helpful, assisting those seeking a home to focus on appropriate dwellings and areas, thereby saving time and frustration.

In practice, a number of shortcomings were reported about the PTD system, such as problems with waiting for a PTD decision in high demand rental areas and the reluctance of some landlords to co-operate with the scheme. Nevertheless, there was still general support for their aims. No-one wished them to be abolished and there were no suggestions for modification, reflecting reasonable satisfaction despite the problems.

Advisers also reported that when they see young people during their search for accommodation they do give them the full picture of the financial and other pitfalls of becoming a tenant, and PTDs are one means of impressing on them the limits of what accommodation they can realistically afford. Nevertheless, according to advisers involved in the case study discussions, such warnings seem rarely to be taken seriously. They gave the view that young people take on tenancies without heeding the advice or warnings because of their enthusiasm, or desperation, to become independent and their unwillingness to be realistic. One adviser told us: ‘youngsters leave home without a plan, often in crisis, and only come to us when the problems arise’. Another said: ‘PTDs are a great idea, but given that youngsters take such little heed of what we tell them, they are actually irrelevant.’

3.4.2 Discretionary Housing Payments

The general picture given by respondents was that DHPs could potentially play a useful role in helping young people sustain a tenancy and avoid arrears in appropriate circumstances. However, DHPs are not strictly a benefit payment and are given only at the discretion of local authorities, broadly guided by priorities set by each authority.

Local authorities are given individual annual DHP allocations by Government and are allowed to spend up to a ‘permitted total’ of 2.5 times this amount. It is up to each local authority whether they spend up to the permitted total or not.
Our case study interviews found that there was co-ordination between DHP spending and budgets. For instance some Benefits offices and finance departments of local authorities keep in monthly contact for advice as to how DHP spending was keeping pace with the budget throughout the course of the financial year.

It was evident, though, that in almost all local authorities we visited, under-25 single claimants were a low priority for assistance through DHPs. At least one case study authority would not countenance a DHP to a young claimant at all, while in others making a successful claim was hard going. As one adviser put it, ‘you have to know the system and be assertive’, implying a level of tenacity beyond the capability of most under-25 claimants.

DHP applications were promoted by various parties – mostly advisers but sometimes experienced landlords. Claimants knew little or nothing about them.

In one case study authority, where awards of DHPs to under-25 year olds were made, it was done ‘after the event’ in that DHPs were given to claimants with large and mounting arrears as a means of clearing the arrears at the end of a six month period. The claimants assisted knew nothing of the DHP system they were benefiting from, but that was probably reasonable as serious hardship could be shown to have genuinely arisen, regardless of the claimant’s understanding of the help available.

In another case study, the application for a DHP was linked to the fact of whether a PTD had been carried out. PTDs were a barrier to claiming DHPs, because the council would argue that the claimant knew the shortfall when the tenancy was started.

The more usual experience with the award of DHPs was that they were made on condition that the claimant took remedial action to improve their financial situation (generally a move to cheaper accommodation) and in the absence of such action the DHP would be terminated at the end of the six month period.

There were suggestions that DHPs should be administered by housing strategy teams within local authorities rather than benefit administrators, because they would have a better appreciation of housing priorities amongst the competing claimant groups. Either service can administer DHPs under current rules, at the discretion of the local authority, though in all eight case studies visited, it was the Benefits office that administered these payments.

### 3.4.3 Views on possible SRR exemptions

In general, the views of case study participants about the scope for possible SRR exemptions were to the effect that they believed the Government had incorporated the basic minimum of exemptions in the original SRR scheme.

The exemption relating to those formerly in care was regarded as complicating the assessment of claimants’ circumstances. Claimants were exempt until age 22 and then had to cope with the SRR until age 25. Benefits administrators considered that this was the most difficult category to spot when assessing claims and they tended
to rely on Social Services to help identify such exemptions. Rather surprisingly, some of the benefit claim forms we were given did not include any questions concerning these exemptions to assist benefit officers to identify exempt cases. However benefits administrators in all the case studies remained fairly confident that most exemptions were picked up accurately when processing claims.

If only on the grounds of simplicity and consistency, respondents argued that the exemption which related to persons who had formerly been in care should be extended until age 25.

The exemption concerning severely disabled claimants was also characterised as being the barest minimum help to that class of vulnerable people, given that ‘severely disabled’ was a much smaller category than ‘disabled’. It was suggested that this exemption should be widened to include all disabled claimants.

However when discussing exemptions and possible relaxations of the SRR rules, respondents in general said that they would much prefer the option of abolition of the SRR rather than adjustment of the detailed conditions and exemptions. Most of our case study respondents and national stakeholders were of the view that only abolition would provide effective assistance to young people, vulnerable or otherwise, with access to accommodation suitable to their needs.

3.5 Impacts on young peoples’ access to private rented accommodation

3.5.1 Attitude and reaction of landlords and lettings agencies

In all the case study areas there was a view amongst research participants that landlords had become more and more reluctant to let to young people – and to under-25 year old claimants in particular. While most felt that there were more reasons for this than the effect of the SRR, nevertheless, the SRR had helped to reinforce this trend.

Almost all landlords we interviewed during the case studies thought that HB claimants in general, and under-25 year olds in particular, were to be avoided as tenants, unless the market conditions were such that their accommodation could not be filled otherwise. Only in low demand areas was there a possibility of this circumstance arising. Even non-claimant under-25 year olds in work were affected by this, because of the possibility that they might become claimants during the course of the tenancy.

We received some observations that landlords new to the market, of which there are many reflecting the recent trend in ‘buy to let’, were more prepared to let to tenants on benefit, including under-25 year olds. But it was suggested that this was often because they had not yet learned about the impact of HB rules such as the SRR.

The general picture described to us was that the typical landlord who refused to consider HB claimants under-25 years of age was someone who had been running
a property letting business for some years and whose main objective was to make a success of their business. This meant attracting a steady stream of reliable tenants who had the means of paying rents and deposits—many young claimants did not fit this category. So there was a general disposition against young tenants in general. Those who were also out of work (as many SRR claimants are) and unable to provide references, or evidence of ability to pay, would be amongst landlords’ least favoured categories of tenant.

3.5.2 Influence of market conditions

Sometimes, for cheaper accommodation, no other tenants are available but young claimants. In some localities, therefore, young single people did have access to private rented accommodation. Amongst our case studies, the area that characterised this the most was the Midlands town, but there were probably pockets of the other case study areas where this also applied: generally low-quality accommodation in the poorest neighbourhoods of each town.

We were also told about situations where potential landlords were content not to let their property at all (apparently not to any kind of tenant, not just young people). This situation arose, we were told, because the landlords saw their return in terms of capital growth rather than tenant income. Landlords are likely to be weighing up their options on the basis of the housing market at the time, considering such factors as rising housing prices and rental yields as opposed to the costs of letting, insurance, repairs, licensing, etc and collecting the rental income due. The most prominent example of this amongst our case studies was reported in the southeastern industrial town.

We found that there are some landlords who specialise in housing young single people, though on a limited scale. We were told that typically such accommodation comprised Houses of Multiple Occupations (HMOs) in a particular locality, or single street, often owned by the same landlord, who had become a specialist in such accommodation. Examples of this phenomenon amongst our case studies occurred in the Midlands town and the coastal resort.

3.5.3 Landlords and letting agencies

Before we carried out the case studies we contacted a number of landlord professional bodies who suggested to us that letting agencies would be less likely to accept claimants as tenants because they were working to protect their client landlords’ interests, whereas landlords dealing direct with tenants were more likely to be flexible about whom they accepted.

However, we found in the case studies that the differences were blurred and that letting agencies were as likely to accept claimants as were landlords if low demand made it necessary. Both categories generally preferred to take tenants other than under-25 year old claimants. If there was a distinction between types of landlord, it was between experienced and newcomers to the market, the latter being more open-minded about letting to young claimants.
Nevertheless we did find some more ‘philanthropic’ landlords who took part in the case study interviews who said they were prepared to let to young people on benefit. Their rationale was that the reliability of the tenant to look after the place was paramount. If they found a good tenant (someone who did not mistreat the property) the fact that not all the asking rent was paid was a secondary consideration. A letting agent in the northern town case study also maintained that: ‘everyone deserves a chance’. But such philanthropic landlords were very much in the minority.

Advisers were of the view that the SRR had a definite influence in bringing about this reluctance on the part of landlords to let to under-25 year old claimants. Advisers thought the low number of SRR cases in each case study area was evidence that the PRS was virtually closed to young people on low incomes. (But see below regarding students). They all had daily experience of young people coming through the doors of their advice centres looking for advice to help them find accommodation. The demand was continually strong, despite advisers urging a sense of realism upon them, telling them about market conditions, SRR levels, etc. Advisers felt that landlord attitudes made their work in placing clients very difficult and that the SRR had contributed to these attitudes.

Nevertheless advisers were of the view that no matter how much realistic advice was given to young people, they still searched hard for suitable accommodation rather than remaining content to live in the parental home.

3.5.4 Interaction with the market for student accommodation

There is little doubt that there are interactions with the student market as far as landlords are concerned. On balance, landlords would probably prefer to let cheap single rooms or shared accommodation to students rather than young people who are not students. To that extent, non-student under-25s on low incomes are at a disadvantage compared to students when searching for accommodation.

From our stakeholder and case study discussions we were told that landlords, in the main, prefer students to non-students on low incomes because of the following factors:

- students have better financial support from loans, grants and parental support;
- there is no HB delay problem with students;
- rents and deposit payments are therefore more certain with students;
- students are more likely to stay for at least one year in the tenancy;
- if the letting is arranged direct with the college, rent is payable at the start of each term;
- students do not have to pay council tax, ie one less financial burden for the tenant;
In the case studies we came across one instance (southeast industrial town) of landlords not letting to young people, but preferring to wait until a student market emerged, so that they had property available to meet that demand. In this particular case study, two local universities were in the process of being developed and were due to come on stream in the next two years. Landlords also were taking advantage of strong growth in the capital value of their properties which provided an additional reason to keep property empty (so that they could be sold quickly or used as loan collateral) rather than letting them as rooms in HMOs to young people.

The researchers also came across another prospective student market that was anticipated, but did not develop. In the Midlands town case study, a large university had been developed and landlords anticipated providing accommodation for the student market. However, the university itself realised there was likely to be a shortage of cheap shared accommodation in the town and took action, purchasing and developing sites on which they built student accommodation.

The result was an oversupply of such accommodation so that not only did the private landlords find it difficult to let to students, but the student accommodation itself remained not fully occupied. This explains why at the time this research was conducted it was easier for young people to access private accommodation in this case study area than in any other (although we were informed that, as with other case study areas, young people are facing increased competition for available accommodation.)

3.5.5 Student sharing

Young non-students, with limited choices due to low incomes, are probably more reluctant to live in shared accommodation than students. However, because of limited funds for accommodation through the SRR limits, they are nevertheless, to an extent, in competition for the same accommodation as students. Landlords are likely to prefer letting to students rather than non-students when given a direct choice.

3.5.6 Alternative accommodation available to young people (council, housing association and supported housing)

We asked claimants in each case study area their views about access to alternatives other than the PRS. We report their responses in the following paragraphs.

In relation to council housing much depended on demand. The demand for council housing varies widely across the country, the highest demand being in London and the south with low demand characterising many areas in the north. Young single people (unless they are single parents) are normally given the lowest priority on council waiting lists. Accordingly in the four case studies in the south, due to high demand, general needs council accommodation was not an alternative option for under-25 year olds.
It was a possibility in the four other case study areas. But we were informed that there was increasing competition for such accommodation from asylum seekers (through the National Asylum Seekers Support dispersal scheme), especially in the Midlands town. There was also a recurring issue about rent arrears. Councils tend not to let to anyone with outstanding arrears. Young people who have previously been in private accommodation are very likely to have outstanding arrears (often with SRR shortfalls being a contributory factor to this although this may not be exclusively so). This generally disqualifies them from taking on a council tenancy and from accessing housing association accommodation.

There was also an issue about taking on a council tenancy for young people under 18 years of age. Typically under-18s who had taken a room in the private sector because of inability to access a council tenancy were then barred from a council tenancy at 18 if they had acquired arrears while in the PRS (although the 16 – 17 age group now has priority status under homelessness legislation).

Only in two case study areas (northern town and Scottish city) was the demand for council accommodation so low that it was a real alternative to the PRS. Council accommodation at least had the advantages of being self-contained, avoiding the problems of sharing rooms, with reasonable rents compared to the PRS. But in the Scottish city, accommodation for single people was available only on the ‘difficult-to-let’ estates. Some claimants who we interviewed said they had tried living there, but problems of anti-social behaviour, drug and alcohol abuse were so severe on the estate that they had ended their tenancy and gone into the PRS despite the significantly higher rents involved.

The other alternative source of accommodation for young people, especially for 16 – 17 year olds and other vulnerable young people, was to access supported accommodation provided by councils and housing associations under the Supporting People programme. There were examples of good quality schemes providing not only single rooms for youngsters, but support in the form of education and training opportunities and the opportunity to acquire life skills.

The key problem here was that there was simply not enough of this type of accommodation. Available places were already taken by youngsters who tended not move on quickly enough to provide vacancies for those following. When such facilities were opened, demand quickly outstripped supply. Many of the advisers to whom we spoke during the course of the case studies reported that accessing move-on accommodation for young people was their most challenging problem.

In one case study location, (Midlands town) the situation was a little easier in that there was plenty of hostel type accommodation although not necessarily with support. This form of accommodation was considered sufficient for a young person, who did not particularly want to live in private accommodation, giving them access to lower cost accommodation, but with the possible drawback of an institutionalised atmosphere.
Local authority officers interviewed in the case studies reported a significant increase in homeless presentations by young people since the passing of the Homelessness Act of 2002, which requires councils to strengthen their homelessness strategies, assigning priority status to new groups including 16 – 17 year-olds, care leavers, people vulnerable as a result of leaving institutions and those fleeing domestic, racial and other forms of violence.

Officers in our southeast industrial town case study estimated that their homeless applications had more than doubled in the most recent year (ie 2003). This was against a background of a severe shortage of supported accommodation for young people (what was available was full due to the move on problem) and of severe difficulties of access for young people to the PRS.

Many of the case study respondents pointed out the apparent inconsistency of government policies which, on the one hand, were trying to help homeless young people but, on the other hand, made it difficult for them to access private accommodation, where they did not remain in the parental home. ‘It is as though young people can only access suitable accommodation by being forced through the homelessness system’ was a typical comment.

### 3.5.7 Bed and breakfast

The result of the pressures described above was an increase in the use of bed and breakfast accommodation (B&B). Given the council responsibility to house new groups of young homeless people, several case studies reported an upturn in the use of B&B.

### 3.5.8 Young peoples’ aspirations

Advisers in all areas reported a huge demand from young people looking for independent accommodation, despite their best efforts to convince them of the financial difficulties involved. The type of comments made by case study participants included the following:

‘Young people are no longer convinced that staying in the parental home is a suitable lifestyle option.’

‘Even young people from minority ethnic groups, who in the past have more traditionally stayed in the parental home until they achieve financial independence, want to leave home earlier’.

‘The problem these days is that there are more families who consist of step-parents, and these are often the people who want the teenage kids out of their home at 18. Sometimes it is a question of abuse on the part of the step-parent which makes it impossible for them to stay. While some young people leave home on the spur of the moment because of a dispute, others simply have no choice for their own well being.’
‘Not only do the young people lack lifestyle skills to manage independently, but often the social skills of their parents (or step-parents) are little better, forcing some youngsters out to fend for themselves.’

3.5.9 Friends’ floors
For those who fail to find independent accommodation the last resort is usually sleeping on friends’ floors. This was also the resort of those who had been evicted from their tenancy, typically because of rent arrears. All case study areas reported the use of friends’ floors as the main symptom of hidden homelessness. Sleeping on ‘friends’ floors’ was mentioned frequently and considered to be widespread. This may often be an amicable, if unsatisfactory long-term arrangement – at least for a time – but can also have its more problematic aspects. One stakeholder raised the fear to us that young women, in particular, could in theory be potentially sexually exploited ‘for a roof’.

3.5.10 Rough sleeping
No case study area reported a significant problem of rough sleeping. Most authorities we visited conducted surveys of rough sleeping, but typically the number of cases found was less than ten and instances of young people sleeping rough were relatively rare.

3.5.11 Propensity to share accommodation
There is little doubt that young people looking for a place to live want the best place they can find in order to give themselves as much peace of mind as possible. We were informed that there is, therefore, a tendency to seek higher priced more self-contained accommodation rather than a single room with shared facilities.

We also found that there were housing market factors between the case study areas which influenced the degree to which self-contained accommodation was sought. Generally in the north people wanted a greater degree of privacy and self-contained accommodation, and this was, perhaps, influenced by the lower rentals that brought self-contained accommodation within easier reach. In the south there was more of an expectation of the need to share, but, no doubt, this has been influenced over the years by the lack of self-contained accommodation available at affordable rents.

Advisers placing young clients in move on accommodation reported that setting up joint occupation in a two-bedroom property (of which there is a reasonable supply in Midlands town and northern town compared with a very small supply of flats) only worked if the two occupants concerned were friends. Placing two young strangers together hardly ever worked and the effort involved in arranging such a tenancy was considered a waste of time. Even where friends were placed together, sometimes their friendship turned sour and sharing did not always work.
A number of claimants, particularly in the southern case study areas, who were sharing reported that they avoided their neighbours: ‘we never meet’ was a common response. Perhaps this is also a sign that people forced to share through economic circumstances keep themselves to themselves as much as possible. Within that general situation, though, there were instances of friendships established partly, perhaps, for defensive reasons against other tenants and landlords (it is easier for two tenants together to confront a neighbour over noise or to jointly lobby a landlord for repairs).

It is obviously difficult to generalise from the experience of a small number of people, but overall the general picture that emerged during the case study interviews was a different one from the notion of student sharing where everyone has a similar age and background.

### 3.5.12 Problems with sharing

Where young people did share, the day-to-day problems of sharing, reported by claimants in the interviews, include petty theft and stealing of postal deliveries (in case they might contain a benefit cheque). Some of the claimants interviewed said benefits had been delayed because letters requesting information in connection with their claim had been stolen.

But there were more serious problems. We were told that sharing can expose young tenants to drink and drug problems, even prostitution. Cases of violence (including one murder) were reported to the researchers – although such very serious instances were rare.

We were told that it is often sharing with older people that causes problems. Older people sometimes have chronic drink and drug problems. We were told that there is a real danger of abuse from older tenants, especially of younger females by older males. Instances were related where young females had told the benefits office they were unable to continue in a tenancy due to abuse from older residents and benefits officers had allowed a higher rate to be paid (presumably by means of a DHP) to enable the claimant to access more suitable self-contained accommodation.

### 3.6 The wider effects for young people

In this section we report our findings relating to the general effects that the operation of the SRR has on young people housing and well-being as indicated by the various parties who took part in the research.

**Mobility:** Lack of housing choice has an effect on mobility and a number of case study participants commented on this. Inability to leave the parental home and curtailment of mobility for purposes of job-seeking were both seen as potentially problematic. This effect varied, though, between the case study areas depending on how tight the housing market was for young people on low incomes.
Tenancy sustainability, arrears and debt: Rent arrears, sometimes leading to eviction (or abandonment of the tenancy), were widely seen as potential consequences of shortfalls between HB and the contractual rent, as were other forms of debt, including borrowing from friends and family as well as commercial loans of one kind and another. As some of the case study HB administrators put it, benefit shortfalls mean that many young people are unable to stay in a tenancy for any length of time (Scottish city). This was confirmed by claimants in various areas (in both shared and self-contained accommodation) who were frequently in arrears with their rent and often reported friction with their landlords as a result.

Essential living costs: Going without essentials was widely seen as likely to result from HB shortfalls. For example one group of claimants (Welsh rural/ coastal authority) reported frequent difficulty in paying for fuel, while also going without food some of the time. Another claimant (Scottish city) reported having ‘only £7 per week left for food – it’s very difficult’. It was often pointed out that the lower levels of Income Support and JSA applicable to under-25s exacerbated the effects of HB shortfalls. It is likely that these effects vary geographically in their severity, depending amongst other things on the depth of the shortfalls needing to be made up from non-HB income.

Separated parents: Some claimants, who were separated parents, mentioned the lack of adequate accommodation as an obstacle to having sufficient access to their children.

Pregnancy: Several participants in the research mentioned the possible position of pregnant young women. The scenario given by one stakeholder was of a situation where a young woman, perhaps in work and either living with parents or independently, becomes pregnant. If living with parents, there may be conflict and they may leave home, becoming subject to the SRR. If living independently, they may go off sick from work and then find they cannot afford the rent.

As with 16 – 17 year-olds, there is a policy contradiction here, in that pregnant women after the early weeks are categorised as in priority need in terms of homelessness legislation and entitled to assistance by the local authority, while if they remain in the PRS they are subject to the SRR.

Former care leavers aged 22+: This group does not attract the exemption from the SRR that applies to their younger counterparts. Several participants in the research saw this as problematic. Housing strategy staff in one case study authority (southern town) argued that such young people often did not readily ‘fit in’ to shared accommodation, having possibly had bad experiences of shared living in the past.

Other destinations if PRS not accessed: The inability of young people to access the PRS may mean remaining in the parental home. In both the stakeholder interviews and case study discussions, it was challenged whether this was necessarily a good thing. Some saw it as conflicting with the current expectations of many young people – certainly for claimants in their twenties. HB administrators in one
authority (northern town) argued that this was now also true of minority ethnic communities, where remaining in the parental home until marriage used to be the norm. Some also pointed to the possibility of domestic conflict and abusive situations which young people may have very good reasons for wishing to escape.

A dissenting voice came from housing strategy staff in one authority (London borough) who saw the SRR as exerting useful pressure to discourage young people from leaving the parental home prematurely. ‘We aren’t unhappy about it, as we want to encourage young people to stay in the parental home as long as possible rather than end up homeless’.

Others emphasised the frequent absence of parental support. Housing strategy staff in the Scottish city case study area argued that this was the key difference for these young people. Many came from lone parent families - mainly as a result of family break-up. Their circumstances were very different to those of young people who have left home from secure middle class backgrounds. They often cannot go back to the parental home for support when needed.

3.7 The role of Rent Officers

In this section we report on the role and views expressed by Rent Officers in relation to the SRR in each of our eight case study areas which were located across England, Wales and Scotland. Rent Officers play a role within the HB system administered by local authorities. For example they set the local limits for the LRR, the SRR and issue PTDs.

3.7.1 Administrative performance

We did not encounter reports of administrative difficulties and delays in the functioning of Rent Officer decision-making, except in one area (Welsh rural/coastal authority) where a generally good performance on the part of the Welsh Rent Officer Service had recently been disrupted by computer problems. The points that we put to Rent Officers and senior Rent Officers in our telephone interviews related entirely, therefore, to the issues around the determination of the SRR.

3.7.2 Availability of accommodation at the SRR

In most case study areas, local authority sources and advisers told us that there was little or no accommodation available at or below the SRR. The exceptions were, to varying degrees, the south Midlands town, the Midlands city and the Welsh rural/coastal authority, in each of which some accommodation at this rent level was reported to be available at the bottom end of the market. Given that the SRR is ideally intended to represent the mid-point of a range, this general picture of limited availability seemed strange on the face of it. We, therefore, thought it worthwhile to explore the methodological issues with Rent Officers.
3.7.3 Estimating the SRR

Residential accommodation fitting the SRR criteria tended to be in short supply, especially given the need to exclude ‘HB lets’. It was clear that Rent Officers in most areas were having difficulty in finding sufficient evidence. Measures were used, such as casting the net over a very wide area and/or using ‘similar’ accommodation and/or in practice looking at the student market for supporting information (although this is not taken into account in the formal decision-making). Reflecting the lack of variation in the low income ‘single room’ part of the market, the resulting figure was usually uniform across the case study area concerned.

Rent Officers generally claimed to have found ‘enough’ or ‘just enough’ evidence to enable them to arrive at a figure for the SRR. This was reviewed quarterly on a formal basis and informally each month, although this did not necessarily mean that the figure would be altered – this would depend on changes in the market – and did not prevent more frequent reviews taking place if necessary.

One Rent Officer (southern town) said that known change factors (such as a new employer in the area or a closure) could trigger a review at any time.

Most Rent Officers interviewed were satisfied that they had arrived at an acceptable figure.

It was generally felt by Rent Officers that benefit shortfalls were caused not by an inaccurate SRR, but by claimants accessing better accommodation than the SRR permitted. They tended not to accept that there was little, or no, accommodation available at the SRR; one view (London Borough) being that landlords’ reluctance to let to HB claimants may be creating that situation for claimants.

The July 2001 changes were not seen as having made any significant difference to the effects of the SRR on the market.
4 Wider policy issues and views on possible reform of the SRR

In this chapter of the report we summarise the views we found amongst the various participants in the research about the interaction of the Single Room Rent (SRR) with other Government policies, in the main, relating to young people. We also summarise the views obtained concerning possible ways of improving the operation of the SRR or otherwise meeting its policy objectives.

4.1 Interaction with Local Housing Allowances

While there was some uncertainty as to how the SRR was to feature in the new Local Housing Allowance (LHA) system, the general view was that the restriction of young single people to the broadly corresponding allowance in the proposed structure (even though it was thought that this might be ‘slightly more generous’ than the current form of the SRR) would have the effect of continuing restricted access to accommodation. Most people we interviewed considered that such a change was likely to be similar in magnitude to the very limited effects of the July 2001 relaxation, in that allowances might rise by a few pounds but finding accommodation in the PRS would remain very difficult for young low paid or unemployed people. This led to the generally held view that lower eligible rents for young people should be abolished.

4.2 Views about the SRR and other Government policies relating to under-25s

In support of their view in favour of abolishing the SRR, some participants went on to express their opinion that Government policy in this area was inconsistent with other public policies relating to young people. An example cited was the recent homelessness legislation: our respondents argued that this had led to increased homeless presentations from young people, yet there had been no re-consideration of the
effect of the SRR in closing off the route for young people into the PRS, which might have ameliorated the position.

As reported above, the prevailing view was that official policy had reached the position where young people had to be ‘forced through the homelessness system’ in order to gain access to suitable accommodation, either in the form of registered social landlord or private hostel accommodation or through the (limited) supported housing system provided under Supporting People.

Other examples cited included policies to resettle former offenders and drug and alcohol abusers, where sharing poor quality accommodation at the bottom of the market was seen as highly counterproductive.

Another example of suggested inconsistency was the message that the SRR sent to young people that the statutory authorities consider under-25s undeserving of equal treatment with other citizens. Yet at the same time, Government was trying to get statutory authorities (including the police and social services) to work positively with young people in promoting sustainable communities. Some respondents made the point that when failures occurred in relation to these more positive initiatives, the effects were often much more expensive to put right than any savings obtained through application of the SRR.

4.3 Homelessness

As noted elsewhere in this report, we found little evidence of rough sleeping associated with the SRR, although a great deal of resorting to ‘friends’ floors’ was reported. The widely reported ‘closing off’ of the PRS to single childless under-25 year olds on benefits is at odds with the objectives of homelessness policy for a range of viable options. Shelter (stakeholder interview) argued that this seriously undermined homelessness policy.

The Scottish Council for Single Homeless (stakeholder interview) told us that their recent work on the new homelessness legislation had also confirmed the SRR to be an obstacle in this respect:

‘We need to help people into adequate quality accommodation that they can pay for. The SRR undermines that agenda’.

This had also emerged as an issue through the Scottish Youth Housing Network.

Some of our case study authorities no longer attempted to place homeless young people in the Private Rented Sector (PRS) at all, while others reported severe shrinkage of their options following the introduction of the SRR:

‘Our Houses of Multiple Occupations (HMO) list went from several pages of A4 to one page’

(housing strategy officer, northern town).
The comment was frequently made that there was a lack of fit between the SRR exempt categories and the vulnerable groups in the homelessness legislation – notably 16 – 17 year-olds and pregnant women.

4.4 Rehabilitation of offenders

A number of participants in this research commented that acute shortage of money and unstable housing, perhaps including sharing with other (possibly older) people with social problems, was very much the wrong environment to help avoid re-offending.

4.5 Public protection

It was also pointed out to us that public protection policies require that potentially hazardous individuals supported in the community should have stable housing that will not encourage them to ‘disappear’. Sharing was, in any case, undesirable for people who may pose a danger to others (housing strategy officers, southern town).

4.6 Sustainable communities/neighbourhood renewal/social inclusion

These policies emphasise the need for mixed communities and the avoidance of concentrations of deprived households. The SRR, on the other hand, assumes that young claimants will find accommodation in a sector of the market which is often both of poor quality and confined to specific neighbourhoods. This policy tension was pointed out to us by a number of national and local case study participants.

4.7 Housing standards

Some participants considered that the SRR worked against local authorities’ efforts to improve standards in the PRS. A letting agent (northern town) argued that ‘the severity of the controls has hit quality’ – landlords could not get the returns they needed in order to invest.
5 Overall summary and conclusions

There were just over 100,000 Single Room Rent (SRR) determinations in the year immediately following the introduction of the SRR. By December 2003, we estimate that the number of live cases had declined to about 10,000 – 15,000. Part of this substantial reduction in the number of SRR claimants will have found employment and been lifted out of Housing Benefit (HB) entitlement (or will have failed to claim). Others will have remained in, or returned to, the parental home. But none of these effects is likely to account for all the reduction and we conclude that many seem to have found their way into marginal forms of housing – such as friends’ floors.

The July 2001 changes to the SRR increased the allowances slightly but made no appreciable difference to the supply, or quality, of accommodation available to young claimants or their ability to access it.

The restrictions placed on young claimants’ ability to access private rented housing by the SRR is preventing many from finding any private rented accommodation within their means. This, combined with the widely reported reluctance of most landlords to let to young people, appears to have resulted in a situation where many young people enter informal lettings and/or end up using friends’ floors or (in those parts of the country with low demand for council housing) are being offered public housing on the more problematic run-down estates.

In this sense the SRR is regarded by many of the parties we consulted during the course of this research as having a number of negative implications for wider social and welfare policies. It is seen as hampering the effectiveness of other housing and community initiatives aimed at promoting social cohesion and inclusion. Its effects are held by several of the bodies we consulted as undermining efforts to get young people into employment by not providing them with the stable housing base they need to take up training and jobs.

The virtually unanimous response from those participating in the research was that the SRR should be abolished. Few considered that adjusting the current rules (for
example adjusting the age range or extending exemptions) would provide an effective way of mitigating the SRR’s effect in reducing the capacity of young people to access the private rented housing market.

5.1 Views on possible changes to the SRR

However, when pressed about possible reforms and additional exemptions we found a wide body of opinion in favour of two reforms as previously noted, namely:

1. Extending up to age 25 the existing exemption for persons aged below 22 who had formerly been in care (making it consistent with the SRR age band).

2. Widening the exemption for ‘severely disabled’ applicants to include all disabled claimants.

Irrespective of the view taken on these suggested reforms there is a case for ensuring that the Benefit Fraud Inspectorate model HB application form includes questions designed to ascertain whether or not the applicant has previously been in care, as this research identified this as a weakness in the forms currently being used by some local authorities. It does not appear to be covered by the current version of the model form.
Appendix A
List of national stakeholder organisations interviewed at outset of research

During September – October 2003 members of the IRIS Consulting team carried out interviews with representatives of the following organisations:

- Barnado’s.
- Centrepoint.
- Chartered Institute of Housing.
- Citizens Advice.
- DWP/ODPM policy officials.
- Institute of Revenues, Rating and Valuation.
- National Federation of Residential Landlords.
- Scottish Council for Single Homeless.
- Scottish Association of Landlords.
- Shelter.
- Small Landlords’ Association.
Appendix B
Study methods

1. This review of the Housing Benefit (HB) Single Room Rent (SRR) restriction was conducted in four stages as follows:

   **Stage One:** Project set-up and initial stakeholder interviews
   August 2003 to October 2003

   **Stage Two:** Data audit and research design
   October 2003 to January 2004

   **Stage Three:** Case study fieldwork and interim analysis
   November 2003 to February 2004

   **Stage Four:** Final analysis and draft report.

2. Some of the activities in each of these stages were carried out concurrently such as the data audit alongside the case study fieldwork.

3. In brief the main stages of the research comprised the following activities. In Stage One we obtained information and perspectives from key stakeholders in order to set the scene and identify major issues for taking on board in the detailed research programme. Stage Two developed the full range of research instruments in the light of the initial round of stakeholder interviews and familiarisation with available data. Stage Three involved fieldwork in carrying out the case studies and related data collection. Stage Four involved bringing all the information together and writing the report. The four stages are described in more detail below.
Stage One: Project set-up and initial stakeholder interviews

4 The research commenced with initial meetings with the DWP nominated officer and policy clients in order to discuss and agree the following matters:

- Arrangements for progress reporting and day-to-day liaison.
- Target timescales for intermediate deliverables and review milestones (including style and format of deliverables).
- Target dates for progress meetings.
- List of organisations/individuals to be interviewed as part of the initial round of stakeholder interviews.

Initial stakeholder interviews

5 The first main activity to be carried out was to hold meetings with representatives of the main stakeholders concerned with the SRR regulations. The main reasons for conducting such interviews at the outset were:

- To alert key opinion formers and professional interests that the research was about to get underway and to obtain their views on the salient issues they thought it should cover.
- To help identify issues, existing sources of information, contacts and references that would prove relevant and useful at the later stages of the research.

6 In the event we conducted interviews during September and October 2003 with representatives of the organisations listed in Appendix A.

7 The purpose of these interviews was to gain perspectives from the national viewpoint. Topic check-lists were drawn up for use in these interviews, which we agreed in advance with the Department for Work and Pensions (DWP).

8 The output from the stakeholder interviews which formed Stage One of the SRR research was a report summarising the key findings and messages.
Stage Two: Data audit and development of research design

Data audit

9 Though members of the research team were already familiar with information sources relating to SRR, a more detailed data audit was carried out as part of this research. The review of the available data focused on:

- Rent Officer data.
- The Family Expenditure Survey.
- The Family Resources Survey.
- Recent English, Scottish and Welsh house condition surveys.
- The survey of English housing.
- The 2001 census of population.

10 The Data Audit relating to the SRR concentrated on the availability and quality of data from each source in terms of relevance to specific questions relating to SRR, the adequacy of sample sizes and ease with which the information could be further analysed to draw conclusions relating to the effects of SRR.

11 We held initial discussions with DWP regarding Rent Officer data. This was an important data source in enabling us to assess the impact of the July 2001 changes on shortfalls and housing conditions of HB SRR claimants. In particular it enabled shortfalls for SRR HB and non-SRR HB claims to be compared and also facilitated a comparison of pre- and post-July 2001 SRR shortfalls. This data source also provided important information on the type of dwelling occupied by HB claimants subject to the SRR regulation before and after the reform.

12 The analysis of the data sources provided a useful alternative angle compared to the information that would be forthcoming from the stakeholder organisations and the views of local organisations in the case study areas, regarding:

- Rents and the shortfall between SRR determinations and rents.
- Access of under-25s to private sector accommodation.
- Analysis in relation to work incentives for young claimants.
- Impact of the changes to SRR at July 2001 on the above.
- Contextual statements relating to the case study areas.
Research design: Design and selection of the case studies

13 A core element of the research was to select and carry out eight case studies in different parts of Britain. The main purposes of the case studies were to:

- Obtain in-depth information about the impacts of the SRR regulations in each locality for claimants and landlords.
- Assess whether the impacts of the SRR have varied according to different local contexts (the case studies selection aimed to provide a range of housing market contexts).
- Obtain information about the effects on the type and quality of accommodation occupied by people subject to the SRR regulations.

14 Each case study involved interviews with a range of local stakeholders. These included:

- Local authority HB administrators.
- Local authority housing strategy officers.
- Under 25 year old HB claimants subject to the SRR.
- Local private landlords.
- Local claimant advisers.
- Local Rent Officers.

Case study selection

15 As part of Stage Two of the project the researchers set out proposed selection criteria for the case studies having regard to the objectives of the research. These were:

- Areas that captured a range of differing housing market contexts, from high demand to low demand.
- Areas that included a reasonable geographical spread, including a Scottish and Welsh authority in the eight selections.
- Areas with a range of socio-economic conditions.

16 The researchers agreed a list of selected case study locations with DWP including a number of reserves in case the first choice selections could not be enlisted to participate.

17 As soon as the first choice and reserves were agreed, the local stakeholders (the local benefits officers, local authority housing strategy officers and claimant advisers) were contacted to seek their active participation.
As regards making contact with claimants and landlords the assistance of the local benefits office was sought to identify current SRR cases so that invitations could be sent to claimants and landlords inviting them to discussions arranged in each area. As the number of live cases in each case study turned out to be quite low (in the range from 17 to 62), in general every SRR claimant and landlord was sent an invitation. Two of the local authorities allowed the use of their landlord forum list to be a supplementary source of invitations. This enabled some landlords who did not necessarily let to under-25 year olds to be included in the discussions, thus helping the researchers to gain a wider perception of landlords’ views about the effects of the SRR.

A set of interview topics and lists was prepared for use with local authority benefits officers and housing strategy officers. These contained a ‘core’ set of questions which was common to both groups that could be used flexibly according to the interests and knowledge of each group. A summary of the topics explored with case study local authorities is given below:

- **The current position in terms of PRS claimants:**
  - Numbers/volumes/categories, handling times etc.
  - What are the administrative arrangements in place?
  - What is the annual expenditure on discretionary housing payments (DHPs)?
  - Proportions of HB payments paid direct to landlords.
  - In what proportion of cases are pre-tenancy determinations (PTDs) made?
  - Publicity/information available about DHPs and PTDs.

- **Perceived changes since July 2001:**
  - What changes occurred following introduction of the revised regulations?
  - Did these changes have any impact on the market?
  - Does the council have any policy view about the SRR in general and the July 2001 changes in particular?

- **Impact of SRR generally**
  - Effect on the private market of the SRR regulation.
  - Propensity of landlords to let to young people.
  - Effect on young people’s mobility, work incentives, standard of accommodation and choices.
  - Interaction with Rent Officers.
20 Separate topic lists were prepared for use in discussion groups with local advice agencies. These discussions provided an additional source of contextual information and perspectives from the viewpoint of those who advise claimants about local HB administration and entitlements, including the effects of changes such as the introduction of the July 2001 rules.

21 The researchers made contact with national and local advice networks to make the necessary contacts and secure co-operation and participation on the ground. In the event, the more generalist agencies, such as Citizens Advice Bureaux (CABx) and Welfare Rights Services, didn’t feature greatly (no doubt reflecting their lack of SRR cases).

22 Issues included in the topic lists were:

- Experience of HB administration.
- Experience of HB restrictions.
- Attitudes to the policy of under-25 restrictions.
- Anticipation of landlords’ reactions to the SRR regulations.
- Attitudes to the role of HB in the local housing market (‘affordability’, feasibility of moving etc.).
- Attitudes to the role of HB in the local labour market (‘making work pay’, moving to be near work etc.).
- Experience of placing young people in single rooms.
- Experience of placing young people in shared accommodation.

23 Topic guides were also drawn up for use in the interview and discussions with claimants and landlords. These covered the following issues:

- **Claimants:**
  - Experience in finding private accommodation.
  - Experience in getting help from the benefits system.
  - Experience in leaving the parental home, moving, and looking for work.
  - Experience in budgeting and avoiding debt.
  - Attitudes to sharing accommodation, especially with strangers.
• **Landlords:**
  - Scale and nature of their operation.
  - How far they were prepared to let to benefit claimants and people under 25.
  - Reasons they perceived for SRR and whether they wished to see changes to the regulations.

**The case study contexts**

24 Background contextual information was assembled for the selected case study areas and Great Britain, England or England and Wales (depending on data availability). The profiles form a ‘contextual statement’ that appears in Appendix C, covering information on demographic change, housing and the labour market. Information is collated for 2001 and, where data allow, 2002 or 2003. This time frame was designed to give an indication of background contextual change in the period immediately after the July 2001 reform.

25 This background information had two important purposes. First it provided contextual information about the nature of the Private Rented Sector (PRS) in each area. This aided understanding and interpretation of the results from later stages of the evaluation.

26 Secondly it provided historical information for each of the in-depth case study analyses. The level of HB receipt in local areas is strongly influenced by the conditions in local housing and labour markets. For example, high levels of unemployment are likely to mean that more people will be eligible for HB in a local area and at a higher rate due to lower incomes. This aids conclusions about whether changes in the number and characteristics of HB recipients, and changes in the size and characteristics of the PRS, are due to the introduction of the SRR or contextual changes in the local labour and/or housing market.

27 Data included in the contextual profiles was collated under three headings:

1. **Demographics** – total population change, by age band.
2. **Housing profile** – tenure, accommodation type, average house prices and private rent levels.
3. **Labour market profile** – employment and unemployment rates, by age.

28 Demographic data were obtained from the Mid-Year Population Estimates produced by the Office for National Statistics (ONS). Mid-year population estimates, by age group, were collated for 2001 and 2002. Information on housing tenure composition and accommodation type was taken from the 2001 census of population. House prices were taken from the Land Register and Registers of Scotland and private rent levels were based on Local
Reference Rents (LRRs) and SRRs from Rent Officer data. Employment and unemployment rates were calculated from the Quarterly Labour Force Survey Local Area Data.

The local labour market profiles

In terms of the local labour markets in the case study areas, the general employment prospects in each area are important in determining the likely pool of people unable to enter or maintain home ownership and consequently be reliant upon the PRS and HB. General employment prospects were measured by the unemployment rate in each case study area. Some people are not eligible (or choose not to claim) Jobseeker’s Allowance (JSA), yet would consider themselves unemployed.

The number of JSA claimants in local authority areas is available from the ONS Neighbourhood Statistics on-line resource. The Quarterly Labour Force Survey (QLFS) provides information on labour market conditions in Unitary Authorities and Districts in the Local Area Database (LAD). This is available for quarters (Spring, Summer, Autumn and Winter) approximately three months in arrears. It enables unemployment rates to be calculated for different age bands. In smaller local authority areas where sample sizes may not allow reliable unemployment rates to be calculated, the number of JSA claimants and the employment rate provide alternative measures.

The Department of Geography at the University of Dundee was able to access the QLFS in electronic format from the Economic and Social Research Council’s Data Archive managed by the University of Essex.

Stage Three: Case study fieldwork and interim analysis

The case study discussions with local authorities, other stakeholders, claimants and landlords were carried out during December 2003 and January and February 2004. The scope of the discussions was set out in Stage Two and the topics are summarised above. The discussions were a mixture of interviews and focus groups, depending on the numbers of respondents that were attracted to each of the meetings that were organised in each area.

For example, where it was possible to attract a group of claimants, claimant advisers or landlords, rather than individuals, the discussions took the form of a group discussion rather than an interview.

In the event, due partly to the low numbers of SRR cases and the consequent patchy availability of SRR claimants, and partly to the particular helpfulness of some local authorities, the interviews (HB administrators and housing strategy staff) and group discussions (claimants, advisers and landlords) overlapped in some cases. In some study locations the sessions with claimants, advisers and landlords ended up as individual interviews, while in others the researchers
were met by groups of up to eight staff, giving those sessions more the character of focus groups. This report, therefore, refers to ‘case study discussions’ to cover all categories of interview.

35 To summarise, the following types of case study discussions were held as outlined below:

- **HB administrators**: discussions held in all areas.
- **Housing strategy staff**: discussions held in all areas except the south Midlands town (where, due to staff sickness, the session was a ‘no show’ and proved impossible to rearrange – however, their housing strategy document was provided).
- **Claimants**: discussions held with small groups of four to six claimants in three case study areas; and with individual claimant’s in a further three, but two of the areas were ‘no shows’.
- **Advisers**: we were able to secure discussions with representatives of one or more advice agencies in all but one of the case study areas.
- **Landlords and letting agents**: we had strong indications that landlords are generally not greatly motivated to debate the SRR issue. Few were letting to under-25 year olds having perhaps ‘written off’ this group and lost interest. Our best result was in a case study area where the researchers issued 90 invitations, producing a lively discussion with 11 landlords and agents. Our next best result was where 200 invitations generated a group of four landlords. Individual landlords were interviewed in three areas, while the remaining three areas were ‘no show’.
- **Rent Officers**: The local Rent Officers in the case study areas were interviewed towards the end of the case study fieldwork. These interviews were left until last to identify from the case study discussions the issues that needed to be taken up with Rent Officers. The key issue relating to Rent Officers concerned issues to do with calculating the SRR rates given the low number of SRR cases in each area.

36 The information obtained from the case study discussions was written up as a series of question and answer logs for each area. These records, together with the information about each area assembled in the contextual statements, forms the information base that the reporting stage of the research was able to draw on.
Stage Four: Final analysis and reports

**Final analysis**

37 Following discussion of the case studies ‘emerging findings’ report, the various streams of information resulting from the research were assembled to enable the final report to be written:

- case study information and feedback
- local area contextual profiles
- analysis of levels of rent, SRR and shortfalls and accommodation type from Rent Officer data
- information from the initial stakeholder interviews.

**Final report**

38 The final report consolidated our individual case studies and other work into an overall assessment. It contained a summary of the research objectives and:

- references to the national policy objectives for the SRR and options to take those policies and their administration forward;
- an outline of the research methodology and rationale for the selection of the case study areas;
- descriptions of the impacts associated with the introduction of the July 2001 SRR regulations.

39 The final outputs from the research have provided information about the current operation of the SRR, its effects on young people’s access to private rented housing and insights into lessons for the future in the area of young people’s rents – having regard to the developing policy context of a move towards Local Housing Allowances (LHAs).

**Analysis of Rent Officer data**

40 This part of the analysis aimed to assess at the national level what impact the July 2001 reform had on rent levels referred by claimants, SRR levels, shortfalls, and the type of accommodation occupied by claimants. These issues are critical to coming to conclusions as to whether or not the reform helped alleviate hardship and improve access to housing in the PRS for young single claimants.

41 Since rent levels are continually subject to market forces, a key challenge in this part of the research was to determine what would have happened in the absence of the reform. This was achieved by deducting from observed changes the percentage change over the same period in rent levels among claimants not affected but subject to the SRR.
42 In addition, the trend in each variable prior to the reform was taken into account in forming a view as to the extent to which any change immediately after the reform could be reasonably attributed to the reform. Therefore, series of data relating to eight consecutive quarters were constructed from 2000 Q2 to 2002 Q1, yielding five quarters prior to the 1 July 2001 reform and three subsequent quarters.

43 It was hoped to amalgamate referrals data from the English, Scottish and Welsh Rent Officer organisations. However, it was not possible to obtain Welsh data for 2001/02 or Scottish data for either year. In both cases this was due to delays in the validation of the data required prior to its release as a result of recent changes to software. Since Welsh data were not available for the period after the reform, the Welsh cases were removed from the 2000/02 data file to ensure comparability between all eight quarters.

44 The resultant data file contained just over 1.2 million referrals for HB determinations or pre-tenancy determinations (PTDs) in the PRS. Of these, just over 178,000 related to claimants (or, in the small number of PTD cases, potential claimants) subject to the SRR regulation.
Appendix C
Case study contextual descriptions

C.1 Introduction

This Appendix provides background information to support and assist the interpretation of findings from the qualitative interviews that have been carried out in eight case study local authority areas. The data is organised under three main headings:

- demographic profile;
- housing profile; and
- labour market profile.

To provide a picture of background change around the time of the July 2001 reform, where data allow it, change in key variables between 2001 and 2002/2003 has been presented.

C.2 The demographic profiles

Whether an area is gaining or losing population has a profound influence on the housing market, including the private rental market. Areas experiencing population decline, other things being equal, have lower demand for housing for purchase or rent. In some instances low demand can result in excess housing stock, certainly in less popular areas. In this situation sellers find it difficult to find buyers and landlords have difficulty finding tenants.

Therefore it is important to be aware of the overall rate of population change in each case study area in order to be able to understand the context in which private landlords and tenants operate. Table C.1 shows population change between 2001 and 2002 for each case study area and for Great Britain as a whole.
The Welsh rural/coastal authority experienced the strongest population growth during this period, at 1.3 per cent, which was considerably greater than the rate of change seen in the next strongest growth area, the London borough at 0.7 per cent. The Scottish city and the Midlands city were the only two case study areas to experience population decline in this period immediately after the changes to the SRR regulations in July 2001.

However, the change in the number of people in different age bands in some of the case study areas differs from that of the population as a whole. Since the SRR applies only to people aged under 25 years, Table C.2 shows the change in the number of people in the age band 15 – 24 between 2001 and 2002.

### Table C.2 Change in population aged 15 – 24, 2001 – 02 (000s)

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage of total population (2001)</th>
<th>2001</th>
<th>2002</th>
<th>Change</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>13.0</td>
<td>34.7</td>
<td>33.3</td>
<td>-1.4</td>
<td>-4.0</td>
</tr>
<tr>
<td>Midlands city</td>
<td>13.6</td>
<td>32.8</td>
<td>33.0</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Northern town</td>
<td>12.1</td>
<td>26.4</td>
<td>27.2</td>
<td>0.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Scottish city</td>
<td>14.8</td>
<td>85.5</td>
<td>88.2</td>
<td>2.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Southeast coastal/industrial</td>
<td>12.7</td>
<td>31.8</td>
<td>32.9</td>
<td>1.1</td>
<td>3.5</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>14.8</td>
<td>27.6</td>
<td>28.0</td>
<td>0.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Southern town</td>
<td>13.4</td>
<td>16.2</td>
<td>16.2</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Welsh rural/coastal</td>
<td>10.7</td>
<td>10.0</td>
<td>10.3</td>
<td>0.3</td>
<td>3.0</td>
</tr>
<tr>
<td>GB</td>
<td>12.2</td>
<td>6,992.0</td>
<td>7,133.6</td>
<td>141.6</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: ONS/GROS population estimates.
Interestingly, some of the areas with strong total population growth have weak or negative growth in the number of people aged 15 – 24 years. For example, the London Borough had the second strongest growth in total population but experienced strong decline (4.0 per cent between 2001 and 2002) in the number of residents aged 15 – 24 years. Conversely, there was strong growth in the number of young people living in the Scottish city and the Northern town, despite neither of these areas registering gains in their total populations (indeed, as noted previously, the Scottish city experienced a loss).

The Welsh rural/coastal area stands out as having a low proportion of its population in the 15 – 24 year old range. The Scottish city and the South Midlands town both have significantly more than the GB average proportion of young people. These patterns are consistent with the well-documented pattern of rural areas having older demographic profiles than urban areas. This is accounted for in part by in-migration to cities by young people for study, employment, accommodation and lifestyle.

C.3 The housing profiles

C.3.1 The housing stock

The number of people renting accommodation in an area gives an indication of the potential scope for private landlords to find tenants. If landlords find it easy to find tenants, then they may be less inclined to let to certain groups, such as HB claimants and young people, in particular young people subject to the Single Room Rent (SRR) regulations. Table C.3 shows the number and proportion of households in each of the case study areas that rent from social and private landlords.

Table C.3 Private and social renting households 2001 (000s)

<table>
<thead>
<tr>
<th>Area</th>
<th>Total households</th>
<th>Households renting from a private landlord</th>
<th>Percentage of total households renting from a private landlord</th>
<th>Households renting from a social landlord</th>
<th>Percentage of total households renting from a social landlord</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>115.7</td>
<td>25.0</td>
<td>21.6</td>
<td>26.6</td>
<td>23.0</td>
</tr>
<tr>
<td>Midlands city</td>
<td>103.2</td>
<td>6.9</td>
<td>6.7</td>
<td>25.2</td>
<td>24.4</td>
</tr>
<tr>
<td>Northern town</td>
<td>87.8</td>
<td>4.8</td>
<td>5.5</td>
<td>20.1</td>
<td>22.9</td>
</tr>
<tr>
<td>Scottish city</td>
<td>271.6</td>
<td>18.6</td>
<td>6.8</td>
<td>106.1</td>
<td>39.1</td>
</tr>
<tr>
<td>Southeast coastal/industrial</td>
<td>99.6</td>
<td>8.1</td>
<td>8.1</td>
<td>13.4</td>
<td>13.5</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>70.8</td>
<td>7.5</td>
<td>10.6</td>
<td>11.6</td>
<td>16.4</td>
</tr>
<tr>
<td>Southern town</td>
<td>45.0</td>
<td>4.5</td>
<td>10.0</td>
<td>9.4</td>
<td>20.9</td>
</tr>
<tr>
<td>Welsh rural/coastal</td>
<td>39.9</td>
<td>4.3</td>
<td>10.8</td>
<td>5.3</td>
<td>13.3</td>
</tr>
<tr>
<td>GB</td>
<td>23,852.7</td>
<td>2,012.3</td>
<td>8.4</td>
<td>4,752.4</td>
<td>19.9</td>
</tr>
</tbody>
</table>

Source: Census of Population
Private renting is particularly prevalent in the London borough case study, with over one-in-five households renting from a private landlord. A further 23 per cent of households in the London Borough rent from a social landlord; thus nearly half of all households in the London Borough live in rented accommodation. In contrast, low proportions of households live in the private rented sector in the Scottish city, the Northern town and the Midlands city. In the case of the Scottish city this is offset by a large social rented sector.

The SRR restricts Housing Benefit (HB) payments to people under the age of 25 to the value of a non-self-contained room with shared kitchen and bathroom (plus shared living facilities after July 2001). The point has been expressed by a number of interviewees in the course of this research that insufficient numbers of dwellings meeting these criteria are available.

Table C.4 shows the number of household spaces (i.e. a ‘space’ occupied by a household) in shared or converted accommodation. This category is not specific to the Private Rented Sector (PRS) and many converted properties are in owner occupation. Nevertheless, a substantial majority of these household spaces are likely to be privately let.

### Table C.4  Household spaces in shared or converted accommodation, 2001

<table>
<thead>
<tr>
<th>Area</th>
<th>Total household spaces</th>
<th>Household spaces in shared or converted accommodation</th>
<th>Percentage of total household spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>121,566</td>
<td>26,638</td>
<td>21.9</td>
</tr>
<tr>
<td>Midlands city</td>
<td>108,121</td>
<td>1,270</td>
<td>1.2</td>
</tr>
<tr>
<td>Northern town</td>
<td>91,435</td>
<td>693</td>
<td>0.8</td>
</tr>
<tr>
<td>Scottish city</td>
<td>282,182</td>
<td>6,998</td>
<td>2.5</td>
</tr>
<tr>
<td>Southeast coastal/industrial</td>
<td>102,892</td>
<td>2,475</td>
<td>2.4</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>72,273</td>
<td>1,914</td>
<td>2.6</td>
</tr>
<tr>
<td>Southern town</td>
<td>45,790</td>
<td>1,541</td>
<td>3.4</td>
</tr>
<tr>
<td>Welsh rural/coastal</td>
<td>41,669</td>
<td>1,409</td>
<td>3.4</td>
</tr>
<tr>
<td>GB</td>
<td>24,847,580</td>
<td>1,049,749</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Source: Census of population

The Northern town and the Midlands city have particularly low prevalence of household spaces available in shared or converted accommodation. There is no substantial variation between the other case study areas, with the notable exception of the London borough where almost 22 per cent of household spaces are in shared or converted accommodation. This suggests that there is a substantial bedsit sector in that London Borough and it is commensurate with the size of the PRS found there that was reported in Table C.3.
Residential property values

The level of house prices in an area influences the level of housing demand, particularly from young people. High house prices may cause young people to remain housed in the PRS for longer as they delay entering the first-time buyer housing market. Also, strong growth in house prices may attract more people to invest in residential property through the use of increasingly popular ‘buy-to-let’ mortgages, thus increasing the supply of properties for let.

Generally, in areas of strong house price growth, there will be a wider range of potential tenants available to landlords, particularly those in employment and not in receipt of HB. Thus, in these areas, landlords may be able to be more ‘choosy’ over which tenants they let to, providing more scope for landlords to exclude certain groups, for example young people and HB claimants.

Reinforcing the stronger position of landlords in areas of strong house price inflation, landlords are less likely to be reliant upon rental yield for a profit, since capital appreciation is greater.

Table C.5 shows the level of house prices in the case study areas in Spring 2001, i.e. immediately prior to the July 2001 reform, and in Spring 2003, the most recently available data for a comparable quarter.

Table C.5 Average house prices, 2001 and 2003 (£)

<table>
<thead>
<tr>
<th>Area</th>
<th>Spring 2001</th>
<th>Spring 2003</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>256,327</td>
<td>284,474</td>
<td>11.0</td>
</tr>
<tr>
<td>Midlands city</td>
<td>43,397</td>
<td>59,168</td>
<td>36.3</td>
</tr>
<tr>
<td>Northern town</td>
<td>55,404</td>
<td>70,364</td>
<td>27.0</td>
</tr>
<tr>
<td>Scottish city</td>
<td>69,883</td>
<td>93,990</td>
<td>34.5</td>
</tr>
<tr>
<td>Southeast coastal/industrial authority</td>
<td>93,654</td>
<td>132,151</td>
<td>41.1</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>86,159</td>
<td>127,197</td>
<td>47.6</td>
</tr>
<tr>
<td>Southern town</td>
<td>122,884</td>
<td>157,676</td>
<td>28.3</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>65,382</td>
<td>100,527</td>
<td>53.8</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>117,398</td>
<td>149,935</td>
<td>27.7</td>
</tr>
</tbody>
</table>

Source: Land Registry & Registers of Scotland.

The London borough and to a lesser extent the Southern town stand out as having particularly high house prices in both years, while the Midlands city, Northern town and the Welsh rural/coastal authority all had average house prices well below average. However the London Borough had substantially below average house price inflation, at 11.0 per cent over this two-year period compared to 27.7 per cent in England and Wales as a whole.

Both the Northern and the Southern towns had average levels of house price inflation, while all the other case study areas were above average. This is particularly
true of the Welsh rural/coastal authority where house prices rose by 53.8 per cent during this two-year period. Thus it appears that areas with the highest house prices had the lowest house prices inflation and, conversely, areas with lower house prices had greater increases.

Tables C.6 and C.7 show the corresponding data for terraced houses and flats/maisonettes respectively. Since much of the housing stock in the PRS is terraced or flatted and these are the housing types young first time buyers are likely to consider as an alternative to renting, the price of such housing is of particular relevance to understanding the housing choices of young people and of private landlords.

### Table C.6  Average price of terraced housing, 2001 and 2003 (£)

<table>
<thead>
<tr>
<th>Area</th>
<th>Spring 2001</th>
<th>Spring 2003</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>334,324</td>
<td>372,975</td>
<td>11.6</td>
</tr>
<tr>
<td>Midlands city</td>
<td>27,120</td>
<td>37,997</td>
<td>40.1</td>
</tr>
<tr>
<td>Northern town</td>
<td>35,954</td>
<td>47,066</td>
<td>30.9</td>
</tr>
<tr>
<td>Scottish city</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Southeast coastal/industrial authority</td>
<td>76,966</td>
<td>111,119</td>
<td>44.4</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>71,978</td>
<td>114,112</td>
<td>58.5</td>
</tr>
<tr>
<td>Southern town</td>
<td>125,810</td>
<td>157,969</td>
<td>25.6</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>41,222</td>
<td>64,859</td>
<td>57.3</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>89,207</td>
<td>111,888</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: Land Registry (Data not available for Scotland)

### Table C.7  Average price of flats/maisonettes, 2001 and 2003 (£)

<table>
<thead>
<tr>
<th>Area</th>
<th>Spring 2001</th>
<th>Spring 2003</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>191,701</td>
<td>229,961</td>
<td>20.0</td>
</tr>
<tr>
<td>Midlands city</td>
<td>38,546</td>
<td>42,652</td>
<td>10.7</td>
</tr>
<tr>
<td>Northern town</td>
<td>46,904</td>
<td>80,717</td>
<td>72.1</td>
</tr>
<tr>
<td>Scottish city</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Southeast coastal/industrial authority</td>
<td>72,790</td>
<td>94,927</td>
<td>30.4</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>55,309</td>
<td>79,768</td>
<td>44.2</td>
</tr>
<tr>
<td>Southern town</td>
<td>94,018</td>
<td>124,450</td>
<td>32.4</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>25,350</td>
<td>42,782</td>
<td>68.8</td>
</tr>
<tr>
<td>England &amp; Wales</td>
<td>118,588</td>
<td>143,631</td>
<td>21.1</td>
</tr>
</tbody>
</table>

Source: Land Registry (data not available for Scotland)

The average price of a terraced house in England and Wales in 2003 was £111,888, substantially cheaper than for all types of housing at £149,935. This difference is reflected in all the case study areas except in London Borough where terraced houses are more expensive than the average, reflecting the particularly high proportion of flats (which are cheaper than other types of housing) in this London borough. In 2003 the average price of a terraced house was only realistically...
affordable to young single people on moderate incomes in the Midlands city and the Northern town.

Perhaps surprisingly, flats and maisonettes are on average more expensive than terraced housing in England and Wales as a whole. This reflects the greater concentration of flats in central parts of large cities compared to terraced housing which tends to be located in less expensive inner city neighbourhoods. This can be seen in the Midlands city and the Northern town, where flats are considerably more expensive than terraced housing.

However, in all the other case study areas, flats are on average less expensive than terraced housing, although remain largely unaffordable to first time buyers on modest incomes owing to the higher prices overall found in those areas.

**Private sector rent levels**

Table C.8 shows the average Local Reference Rent (LRR) in each of the case study areas and for England and Wales as a whole for periods before and after the July 2001 reform. The LRR is calculated by the Rent Officer as the mid-point of market rents (i.e. cases where HB is not involved) in a locality for a given size of property, excluding exceptionally high and low rents. Thus the LRR gives a good indication of overall rent levels in the PRS.

**Table C.8 Average local reference rents, pre- and post-reform (£ per week)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Pre-reform*</th>
<th>Pre-reform*</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>159</td>
<td>184</td>
<td>15.7</td>
</tr>
<tr>
<td>Midlands city~</td>
<td>67</td>
<td>71</td>
<td>6.0</td>
</tr>
<tr>
<td>Northern town~</td>
<td>69</td>
<td>72</td>
<td>4.3</td>
</tr>
<tr>
<td>Southeast coastal/industrial authority~</td>
<td>83</td>
<td>89</td>
<td>7.2</td>
</tr>
<tr>
<td>South Midlands town~</td>
<td>80</td>
<td>91</td>
<td>13.8</td>
</tr>
<tr>
<td>Southern town~</td>
<td>128</td>
<td>145</td>
<td>13.3</td>
</tr>
<tr>
<td>Welsh rural/coastal authority~</td>
<td>63</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>England &amp; Wales**</td>
<td>84</td>
<td>90</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Source: Rent Officer Referrals Data; Data for Scotland not available.

* Pre-reform period = 2000Q2-2001Q2; Post-reform period = 2001Q3-2002Q1.

** Post-reform refers to England only.

(LOCAL authority codes were not all present in the Rent Officer Data. Therefore, these figures relate to the Rent Officer Area in which this local authority area is located. This usually corresponds to a county.)
Rent levels in the PRS broadly reflect house prices, with particularly high private rents in the London Borough and the Southern town. However there is a marked difference between inflation in rents and inflation in house prices. Indeed areas with high house price inflation tend to have lower rent inflation, and areas with lower house price inflation tend to have greater rent inflation.

For example, while the London Borough had the lowest, and substantially below average, house price inflation between 2001 and 2003, it had the highest, and substantially above average, inflation in private rents. Similarly, the Midlands city had above average house price inflation but had below average rent inflation, and the Northern town had average house price inflation and substantially below average rent inflation, with private rents rising only 4.3% between 2000/01 and 2001/02.

Table C.9 shows the average Single Room Rent (SRR), again for the periods immediately before and after the July 2001 reform. Although average SRR levels are (by definition) lower than average LRR levels, the pattern between case study areas is similar, as is the pattern of rent inflation.

### Table C.9  Average single room rents, pre- and post-reform (£ per week)

<table>
<thead>
<tr>
<th>Area</th>
<th>Pre-reform</th>
<th>Pre-reform</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>69</td>
<td>80</td>
<td>15.9</td>
</tr>
<tr>
<td>Midlands city</td>
<td>41</td>
<td>48</td>
<td>17.1</td>
</tr>
<tr>
<td>Northern town</td>
<td>40</td>
<td>41</td>
<td>2.5</td>
</tr>
<tr>
<td>South East coastal/industrial authority</td>
<td>45</td>
<td>48</td>
<td>6.7</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>41</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Southern town</td>
<td>56</td>
<td>64</td>
<td>14.3</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>36</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>England &amp; Wales**</td>
<td>43</td>
<td>48</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Source: Rent Officer Referrals Data; Data for Scotland not available

* Pre-reform period = 2000Q2-2001Q2; Post-reform period = 2001Q3-2002Q1.

** Post-reform refers to England only.

(Local authority codes were not all present in the Rent Officer Data. Therefore, these figures relate to the Rent Officer Area in which this local authority area is located. This usually corresponds to a county.)

### C.3.2 The labour market profiles

The prevailing conditions in a local labour market have a strong influence on the number of people able to purchase property or afford rent and the likelihood of people being eligible for HB. Table C.10 indicates the rates of employment and unemployment in the case study areas for 2001 and 2003.
The Scottish city stands out as having below average employment rates and above average unemployment rates in both years. Although unemployment remained relatively low, there was a sharp reduction in the proportion of people of working age in employment in the Welsh rural/coastal area between 2001 and 2003.

Table C.10  
Employment and unemployment rates, persons of working age, 2001 and 2003 (percentage)

<table>
<thead>
<tr>
<th>Area</th>
<th>Employment rate*</th>
<th>Unemployment rate**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2003</td>
</tr>
<tr>
<td>London borough</td>
<td>80.6</td>
<td>75.2</td>
</tr>
<tr>
<td>Midlands city</td>
<td>68.6</td>
<td>71.3</td>
</tr>
<tr>
<td>Northern town</td>
<td>74.2</td>
<td>76.9</td>
</tr>
<tr>
<td>Scottish city</td>
<td>59.2</td>
<td>64.0</td>
</tr>
<tr>
<td>South East coastal/industrial authority</td>
<td>78.7</td>
<td>78.4</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>74.7</td>
<td>72.6</td>
</tr>
<tr>
<td>Southern town</td>
<td>75.3</td>
<td>76.0</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>75.4</td>
<td>60.9</td>
</tr>
<tr>
<td>Great Britain</td>
<td>75.0</td>
<td>75.2</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey Local Area Data accessed through the ESRC Data Archive.
Note: Data for each year relate to the Sept – Nov quarter.

* No. employed people of working age divided by total no. people of working age.

** No. unemployed people (ILO) of working age divided by no. people of working age economically active.

Although subject to sampling error, the geographical and temporal patterns in labour market fortunes experienced by people of all working ages (16 – 59/64) can also be seen among those aged 16 – 24 (i.e. those subject to the SRR regulation). This data is presented in Table C.11. In particular, young people in the Welsh rural/coastal area also experienced a sharp fall in their employment rate between 2001 and 2003. The local labour market fortunes of young people aged 16 – 24 also deteriorated in the London Borough and the Southern town.
Table C.11  Employment and unemployment rates, persons aged 16 – 24, 2001 and 2003 (percentage)

<table>
<thead>
<tr>
<th>Area</th>
<th>2001</th>
<th>2003</th>
<th>Change (percentage points)</th>
<th>2001</th>
<th>2003</th>
<th>Change (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London borough</td>
<td>72.6</td>
<td>63.4</td>
<td>-9.2</td>
<td>6.4</td>
<td>16.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Midlands city</td>
<td>60.0</td>
<td>62.3</td>
<td>2.3</td>
<td>14.9</td>
<td>10.3</td>
<td>-4.6</td>
</tr>
<tr>
<td>Northern town</td>
<td>46.9</td>
<td>65.1</td>
<td>18.2</td>
<td>13.9</td>
<td>11.3</td>
<td>-2.6</td>
</tr>
<tr>
<td>Scottish city</td>
<td>53.1</td>
<td>58.6</td>
<td>5.5</td>
<td>21.4</td>
<td>16.2</td>
<td>-5.3</td>
</tr>
<tr>
<td>South East coastal/industrial authority</td>
<td>70.1</td>
<td>75.4</td>
<td>5.3</td>
<td>11.9</td>
<td>9.9</td>
<td>-2.0</td>
</tr>
<tr>
<td>South Midlands town</td>
<td>57.3</td>
<td>57.2</td>
<td>-0.1</td>
<td>29.8</td>
<td>22.6</td>
<td>-7.1</td>
</tr>
<tr>
<td>Southern town</td>
<td>76.8</td>
<td>55.1</td>
<td>-21.7</td>
<td>5.0</td>
<td>26.6</td>
<td>21.6</td>
</tr>
<tr>
<td>Welsh rural/coastal authority</td>
<td>54.2</td>
<td>30.0</td>
<td>-24.3</td>
<td>27.0</td>
<td>28.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Great Britain</td>
<td>63.5</td>
<td>62.9</td>
<td>-0.6</td>
<td>12.4</td>
<td>12.4</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey Local Area Data accessed through the ESRC Data Archive.

Note: Data for each year relate to the Sept – Nov quarter.

*  No. employed people aged 16 – 24 divided by total no. people aged 16 – 24.

**  No. unemployed people (ILO) aged 16 – 24 divided by no. people aged 16 – 24 economically active.

In contrast in other case study areas the labour market situation of people aged 16 – 24 generally improved, although this improvement was not as marked as the deterioration in the London borough and the Southern town. However, overall, young people aged 16 – 24 have lower employment rates and higher unemployment rates than older age groups.