



In-depth Briefing

In-depth briefing on the Local Housing Allowance (LHA) cap for Supported Housing, key details include:

Supported Housing (in its widest definition, including sheltered accommodation¹) will be exempt from the LHA cap until March 2019.

Supported Housing will not receive a budget cut and housing costs, from April 2019, will be paid through the benefits system up to the applicable LHA level with a top-up paid via a devolved fund. The future definition of Supported Housing will be a decision for Welsh Government.

There will be no Shared Accommodation Rate (SAR) in the calculation of the LHA rate for tenants in the new system. The one-bedroom LHA rate will be the lowest rate used for people under 35 living in supported housing.

The UK Government believes a different system needs to be worked out for very short-term transitional services.

The Chancellor of the Exchequer announced in his Autumn Statement² that housing benefit and housing costs within Universal Credit for social housing tenants will be capped at the relevant Local Housing Allowance (LHA) rate. The change will apply to any new or renewed tenancy signed from April 2016, but tenants will not see a reduction in their housing benefit until April 2018. Supported Housing received an extended exemption for one year; this briefing gives an update on the policy for supported housing.

On the 15th September 2016 Damian Green MP, the Secretary of State for Work and Pensions, announced that the Department of Work and Pensions will be deferring the application of this policy for supported housing until 2019/20³. At

¹ <http://www.housing.org.uk/latest-updates/clarification-from-clg-on-supported-housing-rent-reduction/>

² http://chcymru.org.uk/uploads/events_attachments/CSR_Autumn_Statement_In-Depth_Briefing2.pdf

³ <http://chcymru.org.uk/en/view-news/supported-housing-exempt-from-lha-cap-but-uncertainty-remains>



this point, the DWP will bring in a new funding model which will ensure that the sector continues to be funded at current levels, taking into account the effect of UK Government policy on social sector rents. Costs above the level of the LHA rate will be devolved in Wales and it will be for Welsh Government to decide how best to allocate the funding.

It is the intention of UK Government that, from 2019/20, core rent and service charges will be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate. This will apply to **all those living in supported accommodation** from this date. It has also been confirmed that the Shared Accommodation Rate will not apply to people living in the supported housing sector and that the one bedroom rate will be the lowest possible benefit paid. No commitment was made to fund move-on accommodation.

The DWP intend to ring-fence the top-up fund in England to ensure that it continues to support vulnerable people, however they do not have the powers to ensure that Welsh Government do likewise. The top-up funding will be set on the basis of current projections of future need and discussions will follow between HM Treasury, DWP and Welsh Government as to how that fund will continue to meet on-going and future demand. The current Welsh Government rent policy review will need to consider the impact of this change and CHC will also ensure this is considered by DWP officials.

The UK Government has committed to creating a new funding mechanism for very short term accommodation, including hostels and refuges. There are no further details to indicate the definition of these providers or whether they will be paid through the same funding mechanism.

A consultation process will follow shortly during which the DWP will seek views on: quality, individual outcomes, the new funding model and a regulatory reform that is effective and proportionate for supported housing.

In England only the 1% rent decrease⁴ will now apply to supported housing, as the DWP believe this is an essential part of driving efficiency savings, while providing high-quality and cost-effective accommodation.

During the past 10 months CHC and its members have worked hard to evidence to the UK and Welsh Governments the impact of the LHA policy; this announcement is recognition that they have listened to the sector and recognise the vital role supported housing plays in transforming lives. CHC has been working closely with ministers and officials of both Governments over the past

⁴ https://www.gov.uk/guidance/welfare-reform-and-work-act-2016-social-rent-reduction?dm_i=3R33,36VG,11XRDB,9FB2,1



few months to influence this proposal and to reduce the risks posed by the original policy.

This work has included:

- **Informing our members of the key policy changes and their impact:** This included in-depth briefings on the LHA policy⁵ and a strategic event attended by over 100 member delegates.
- **Detailed research to understand the impact of the changes:** This included joint research with WLGA on the impact of the shared room rate for under 35's⁶.
- **Co-development of policy alternative with members and partners:** CHC's member working group worked alongside the other UK housing federations, Cymorth Cymru and other partners to develop policy solutions.
- **Political level lobbying and campaigning:** CHC led discussions with UK and Welsh Ministers to discuss the specific impacts for housing associations in Wales.

On behalf of the sector, CHC recommend the following policy changes to the DWP on 30th June 2016:

- A focus on long-term security for landlords and providers, allowing them to continue to invest in new and existing supported housing services.
- Removal of the threat of the Local Housing Allowance (LHA) cap to give both landlords and provider's confidence to continue to develop new, and innovate existing, supported housing schemes while the funding system is reformed.
- That sufficient time is given to manage the transition to any new system, and that in the meantime the current funding arrangements – without the LHA cap - continue until the transition is completed.
- Work closely with the supported housing sector in Wales when developing a new funding model. Departments across the UK and Welsh Government work together and support the new funding model in order

⁵ <http://chcymru.org.uk/en/publications/in-depth-briefing-papers/>

⁶ <http://chcymru.org.uk/en/view-news/chc-and-wlga-viable-housing-model-research>



to provide a secure future for supported housing, reflecting the benefits it provides across the respective policy priorities of both governments.

DWP officials have appreciated the insight and knowledge that CHC and its members can bring to the discussions on devolving a new funding mechanism. We will build on this and our strong relationship with Welsh Government to ensure member's needs are at the forefront of delivery decisions.

The policy previously exempted supported housing for a 12 month period, although the new three year exemption cannot be seen as long-term security. Coupled with the commitment to meet future need, the new policy leaves the sector in a better position. Although LHA rates will still be applied, entitlement will no longer be capped at this level and CHC will ensure that appropriate discussions continue through the transition period.

The following examples show how those working and living in supported accommodation will need adapt to the new funding:

Extra care unit example:

	Current Funding model remaining until March 2019	LHA Maxima Policy – no longer in use	New funding mechanism April 2019
Rent	£114.44	£114.44	£114.44*
HB eligible service charge	£46.79	£46.79	£46.79
Non HB eligible service charges:			
Water	£5.43	£5.43	£5.43
Alarm monitoring	£9.75	£9.75	£9.75
Heating	£7.22	£7.22	£7.22
Electricity	£6.43	£6.43	£6.43
Meals	£56.98	£56.98	£56.98
Total rent and service charge	£247.04	£247.04	£247.04
Total Housing Benefit	£161.23	£73.64 - LHA	£73.64* - LHA
Supporting People Fund	£9.75	£9.75	£9.75
New devolved fund from 2019	-	-	£87.59
Tenant Payment	£85.81	£173.40	£85.81



Sheltered Accommodation example:

	Current Funding model remaining until March 2019	LHA Maxima Policy – no longer in use	New funding mechanism April 2019
Rent	£68.43	£68.43	£68.43*
HB eligible service charge	£26.80	£26.80	£26.80
Non HB eligible service charges:			
Water	£3.08	£3.08	£3.08
Heating	£5.92	£5.92	£5.92
Total rent and service charge	£104.23	£104.23	£104.23
Total Housing Benefit	£95.23	£85.85 - LHA	£85.85* - LHA
Supporting People Fund	-	-	-
New devolved fund from 2019	-	-	£9.38
Tenant Payment	£9.00	£18.38	£9.00

*There are two significant factors that need to be considered in this calculation, the first of which is rental increase. Between now and the devolution of the fund, any rental increase in Wales will run alongside a decrease in England.

Further, the freeze to LHA rates means it's likely rates will decrease in the in many areas of Wales.

This will need to be assessed in any final fund calculation

The next national Supported Housing and Provider Network will be in Denbigh on 22nd September 2016 – details here:

<http://chcymru.org.uk/en/events/networks/network-information/national-supported-housing-and-provider-network/>

For further information please contact Paul Langley, paul-langley@chcymru.org.uk or by calling 02920674812