

In-depth Briefing

Local Housing Allowance cap on Social Housing Rents

The Minister for Communities and Tackling Poverty announced in December that Welsh Government will maintain the policy for social housing rents for 2016/17. While this is good news for the sector, we appreciate that other factors will impact on the rent setting policy, including the Chancellor's announcement in the Autumn Statement to limit Housing Benefit to Local Housing Allowance (LHA) rate.

This in-depth briefing explains this policy and the work that we are undertaking to mitigate its impact.

Background

The government will apply the relevant Local Housing Allowance (LHA) rates as maxima for Housing Benefit paid in the social rented sector, including the Shared Accommodation Rate for single claimants aged under-35, pension age tenants and supported/specified accommodation.

The cap will apply from 1 April 2018 but only to tenancies signed after 1 April 2016. Additional Discretionary Housing Payment funding will be available to local authorities to protect the most vulnerable including those in supported accommodation.¹

This reform is intended to better align the rules in the private and social rented sectors. It will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onward. We are still waiting for clarification on the details of how this policy will work in practice, and we will notify our members as soon as we have more information.

A recent response by Lord Freud, Minister of State for Welfare Reform, on the policy states:

'The exact formation of this policy is currently under development. We will of course carefully consider comments regarding supported housing schemes, along with findings from the supported accommodation review that the Department has jointly commissioned with the DCLG which looks at the size and scope of the supported housing sector. The results of this research will guide our consideration for future policy development.'¹

¹ National Housing Federation news, 7th January 2016,
<http://nationalhousingfederation.newsweaver.com/Newsletter/11aplhx12qc1r0b1mskq51?a=1&p=49687490&t=22194515>

Impact

These changes will lead to prospective tenants experiencing further issues of affordability if they are in receipt of benefits or require welfare support in the future. 243,582 people in Wales are currently claiming Housing Benefit and an estimated 99,800 of those are housing association tenants. Over 65% of housing association tenants in Wales are receiving housing benefit and on average over 10,000 new tenancies are signed each year (increasing to 13,000 if exchanges and transfers generate a new tenancy)ⁱⁱ. The Your Benefits Are Changing (YBAC) team therefore estimate that there could be as many as 13,000 tenancies signed over the next two years who will need to be made aware of the cut to entitlement from April 2018.

Housing Association rents in Wales are in many cases close to or above the LHA rate. The Chancellor committed to freeze LHA for four years between 2016 and 2020 but this does not prevent them from falling. The Broad Market Rental Areas (BMRA) rates for LHA 2016/17 will be published shortly and it is anticipated that some areas will see a decrease in weekly entitlement. This is likely to mean that, in some areas, **from 2018**, Housing Benefit will not cover the full amount of 'eligible rent and service charge' as it does currently, leading some tenants needing to make up this shortfall from other sources of income. We will ensure that our members are informed of the announcement on the BMRA when it is released.

Shared Accommodation Rate for single claimants under 35

This policy includes the Shared Accommodation Rate for single claimants under 35 without dependent children. CHC members currently house 6,440ⁱⁱⁱ tenants meeting this criterion and there is likely to be a significant impact on this age group.

Pensioners

The policy is not restricted to working age tenants. Unlike the bedroom tax or removal of the spare room subsidy (RSRS), LHA includes those who are pensionable age. This is likely to result in longer term problems for new tenancies from April 2016. Families housed in appropriate accommodation will no longer be safeguarded from housing benefits cuts when their family matures and become pension credit age.

Supported, sheltered or shared accommodation

Finally, the policy **does not** exempt supported, sheltered (specified) or shared accommodation. The policy aims to pay a LHA award for those living in specified accommodation with any additional rent and/or service/management fee being made up by discretionary housing payment (DHP). The DWP have allocated an additional £70million for this, however the YBAC team estimate that over £30m would be required in Wales alone.

CHC Reaction

Given the urgent need to both understand the full implications of this policy as well as to mitigate the negative effects it will have on members, CHC is responding expediently in the following manner.

Political Lobbying

A lot of the details are still unclear. With our three federation partners we're making the case to the DWP for the exemption of specified accommodation from this policy. This is our first priority and we are pushing to ensure that this policy does not unintentionally render the future provision of specified accommodation unviable.

Alongside this, we are lobbying Pontypridd MP, Owen Smith, Shadow Secretary of State for Work and Pensions, to press the Government for further information. We have also been working with Cardiff North MP, Craig Williams, a member of the Work and Pensions Select Committee.

The House of Lords will debate this issue on the 12th January and there is cross bench support for the amendment to exclude 'specified accommodation' from the policy.

We are also exploring the possibilities of linking with other groups within the sector to send a strong message about the importance of exemption and the urgent need for further details, which will provide a basis for future rent levels and strategic decisions.

Data Collection

CHC is collecting data on the impact of capping Housing Benefit to the LHA rate in the social rented sector in order to understand the impact of this policy to inform our lobbying. We have sent a **survey to all of our members** with the aim of establishing the extent to which the change will impact on our members.

This survey has been sent to the **Finance Forum** with a closing date of **21st January** and seeks data on the LHA rates in each local authority area, rents charged in those areas, service charges in those areas, numbers of working age people/ pensioners, extent of specified accommodation, etc.

We ask that our members please ensure that this survey is completed and returned to CHC on time so that we have the evidence to call for exemption.

Next Steps

The CHC Chief Executives' Conference will take place on 27th/28th January and this topic will feature on the agenda in order to discuss the issues and survey results and agree a sector approach.

CHC will also consider the impact of the way that LHAs are determined, i.e. in BMRAs (Broad Market Rental Areas) and will agree on a sector approach.

Further information

For further information and clarification on the content of this briefing, please contact Paul Langley, Head of YBAC, Community Housing Cymru Group – paul.langley@chcymru.org.uk

ⁱ <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

ⁱⁱ <https://statswales.wales.gov.uk/Catalogue/Housing/Social-Housing-Lettings/numberoflettings-by-year-lettingtype>

ⁱⁱⁱ <https://sw.stat-xplore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>