



In-depth Briefing

Impact of capping Housing Benefit at Local Housing Allowance (LHA) rates

The Chancellor of the Exchequer announced in his Autumn Statement 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.

The following briefing explains the policy and the impact on social housing tenants.

What is Local Housing Allowance?

Local Housing Allowance (LHA) was introduced in 2008 to provide housing benefit to those living in private rented accommodation. It is calculated differently to housing benefit, and uses a flat allowance to decide the eligible rent of all claimants with similar sized households living in a Broad Rental Market Area (BRMA). The payment is intended to cover rent and service charges.

How is it calculated?

The amount of LHA a claimant can receive is based upon:

- Where they live (The Broad Rental Market Area)
- The household size
- The claimants income
- Any other related circumstances

In Wales, there are 115 individual LHA rates: one for each of the five household sizes¹ in the 23 Broad Rental Market Areas.

Each year, Rent Officers Wales gather and maintain local rental information and analyse rental markets to allow them to calculate the individual Local Housing Allowance rates, in accordance with Statutory Guidance².

¹ The five LHA rates are:

Shared Accommodation (Applicable to any single claimant under-35), One Bedroom, Two Bedroom, Three Bedroom, and Four Bedroom

² Rent Officers (Housing Benefit and Universal Credit Functions) (Local Housing Allowance Amendments) Order 2015





LHA is set at the lower of:

- The 30th percentile of the rents in Broad Rental Market Area
- The existing LHA

Further to this, The Chancellor's announcement in his emergency budget in July 2015 that LHA will be frozen for four years will prevent any increase in LHA. The applicable rates for 2016/17 can be found on the Welsh Government website: <http://gov.wales/topics/housing-and-regeneration/welfare-reform/rentofficers/publications/10868686/?lang=en>

Of the 115 rates that were published for the new financial year, 21 have decreased and it is anticipated that some rates will continue to decrease in the next three years.

As an example, the table below shows the BRMA for Blaenau Gwent and the five applicable room rates. The rates highlighted in yellow have decreased.

Broad Rental Market Area (BRMA)	Column 1 Current Rates for Apr 2015 - Mar 2016	Column 2 New 30th Percentile from list of rents	Column 3 New LHA rates for Apr 2016 - Mar 2017
96600 Blaenau Gwent			
Shared Accommodation	48.67	46.03	46.03
1 bedroom	62.40	60.00	60.00
2 bedroom	75.00	79.63	75.00
3 bedroom	85.85	90.00	85.85
4 bedroom	111.57	120.25	111.57

Bedroom Assessment

Housing benefit can be claimed for 1 bedroom for each:

- Adult / couple
- Other adult aged 16 or over
- 2 children of the same sex up to 16
- 2 children under 10 (including children of the opposite sex)
- Any other child
- One additional bedroom where the customer or partner require overnight carers
- One additional bedroom for a severely disabled child who would normally be expected to share a bedroom under size criteria rules, but is unable to do so due to their disability.





- One additional bedroom for a claimant or partner in receipt of AFIP (Armed Forces Independent Payment) where overnight care is required.
- One additional bedroom for a foster child or children of an approved foster carer.

All subject to a maximum allowance of **four bedrooms**.

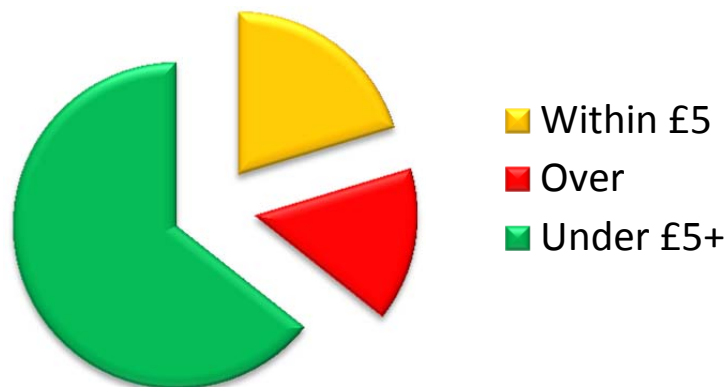
There are separate rules for some groups such as single customers aged over 35 years, couples with no dependent children, under 35 year olds, and care leavers under 22.

Who will be affected?

The change will apply to new or renewed tenancies signed from April 2016 (April 2017 for supported housing). However, tenants will not see a reduction in their housing benefit until April 2018. CHC has surveyed its membership and found that 1 in every 3 properties will have a rental charge above the appropriate LHA rate in 2018. This falls to 1 in 5 when assessing general needs stock.

The following chart shows how Welsh housing association rents compare with current LHA rates.

Welsh Housing Association rents compared to LHA rates



During 2013/14, the sector let 15,694 properties. CHC has estimated that, based on the current LHA rates, over 10,000 tenants will face a shortfall in rent in April 2018 with numbers increasing year on year after that. The policy does not exclude any age groups.

Lord Freud has confirmed to social landlords that the removal of the spare room subsidy (RSRS) or 'bedroom tax' will continue and that **the highest deduction from either the relevant LHA cap or the RSRS reduction will apply.**

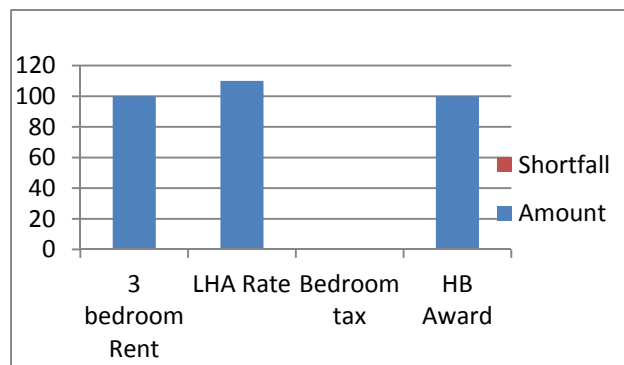




The following examples illustrate the impact of the LHA cap in different areas with different scenarios for a 3 bedroom property.

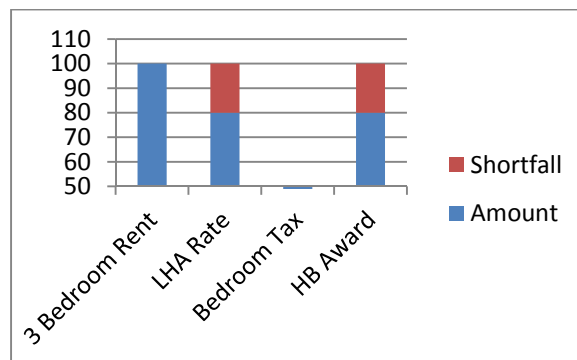
Example 1

Not over-accommodated
3 bedroom house rent = £100 per week
Local Housing Allowance (3 bedrooms) = £110 per week
Max HB award = £100 per week
No shortfall



Example 2

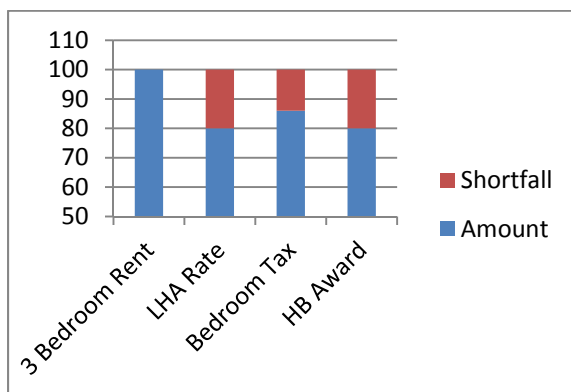
Not over-accommodated
3 bedroom house rent = £100 per week
Local Housing Allowance (3 bedrooms) = £80 per week
Max HB award = £100 per week
Shortfall = £20 per week





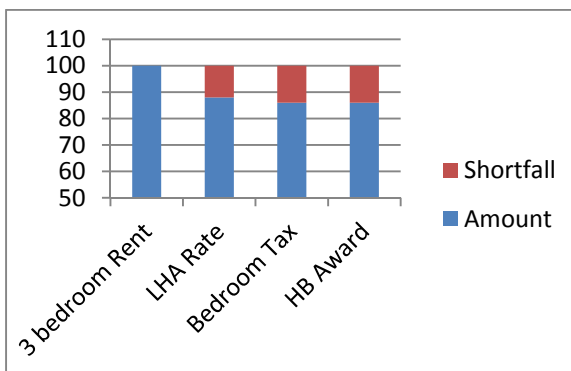
Example 3

Over accommodated by one bedroom
 3 bedroom house rent = £100 per week
 Less RSRS 14% = £14 per week
 HB award due to RSRS = £86 per week
 Local Housing Allowance (2 bedrooms) = £80 per week
Max HB award = £80 per week
Shortfall = £20 per week



Example 4

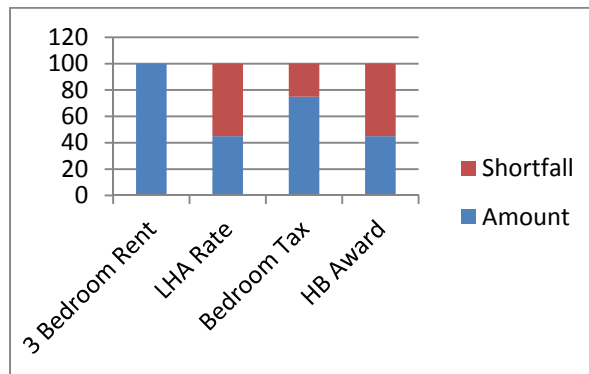
Over accommodated by one bedroom
 3 bedroom house rent = £100 per week
 Less RSRS 14% = £14 per week
 HB award due to RSRS = £86 per week
 Local Housing Allowance (2 bedrooms) = £88 per week
Max HB award = £86 per week
Shortfall = £14 per week





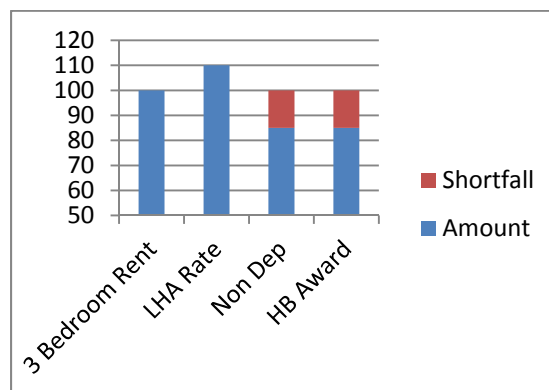
Example 5

Single person under 35
 3 bedroom house rent = £100 per week
 Less RSRS 25% = £25 per week
 HB award due to RSRS = £75 per week
 Local Housing Allowance (shared room rent) = £45 per week
Max HB award = £45 per week
Shortfall = £55 per week



Example 6

Not over accommodated with a Non-Dependent
 3 bedroom house rent = £100 per week
 Less non-dependent = £15 per week
 HB award due to non-dependent = £85 per week
 Local Housing Allowance (3 bedrooms) = £110 per week
Max HB award = £85 per week
Shortfall = £15 per week





Example 7

Over accommodated by one bedroom with a Non-Dependent

3 bedroom house rent = £100 per week

Less non-dependent = £15 per week

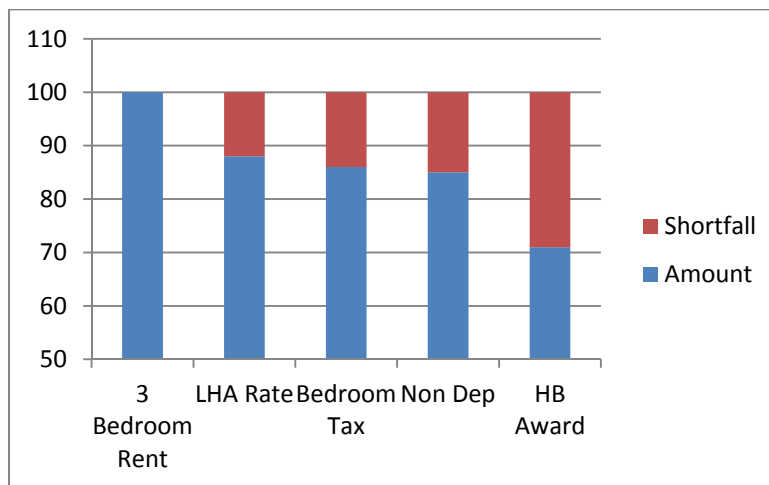
Less RSRS 14% = £14 per week

HB award due to RSRS and non-dependent = £71 per week

Local Housing Allowance (2 bedrooms) = £88 per week

Max HB award = £71 per week

Shortfall = £29 per week



Impact on housing associations

The above examples demonstrate the shortfall that will be experienced by tenants. This will potentially have a severe impact on the business plans of many social landlords.

The issues that are worth considering at this stage are:

- How will supported housing adapt? What alternative models of funding could we consider?
- What housing solutions can we provide to young people that will be affected by the LHA cap and housing benefit cuts?
- How do we ensure that tenancies are sustainable?
- How can we make best use of existing stock and develop new housing to meet future need?
- How can housing association business processes respond to these challenges?
- How should service charges adapt as a result of the LHA cap?



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These issues will be discussed in detail at our event on 21st April titled “Is the 30 year business plan broken?”. The discussions and outcomes from the day will be used to identify potential solutions in order to influence Government policy.

If you have any questions about this briefing, please contact Paul Langley, CHC’s Head of Business Development for the Your Benefits Are Changing project, on paul-langley@chcymru.org.uk.

Community Housing Cymru
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