

August 2017

Research briefing

Impact of applying Local Housing Allowance rates to general needs social tenants

Summary of key points

- From April 2019 tenants in receipt of Universal Credit will have their benefit for housing costs capped at the Local Housing Allowance (LHA) rate.
- From 2019 Housing Benefit for new (from 2016) social housing tenants living in general needs homes will be restricted to the LHA rate for the local area. This restriction will include people over pension age.
- For people under 35 this cap will be set at the Shared Accommodation Rate unless an exemption applies.
- Federation analysis shows the potential numbers of people affected by this measure and the amount of shortfall between benefit levels and rents charged.
- DWP has not yet published regulations governing this measure and details maybe subject to change but Housing Associations and tenants should start preparing now to deal with the possible impact of the policy.
- For supported and sheltered housing tenants it is intended that the LHA cap will apply to all tenants from 2019 when a new more localised system of funding for supported housing will be introduced.

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New LHA cap – Universal Credit claims

The Government has announced that from April 2019 tenants in receipt of Universal Credit will see a cut in their entitlement to benefit where their rent and benefit eligible service charge exceeds the Local Housing Allowance (LHA) rate. This will include the Shared Accommodation Rate (SAR) for single childless people under 35 (apart from those who fall within certain exceptions that are currently set out for private sector tenants in receipt of LHA). LHA rates will apply to all new and existing tenants in receipt of Universal Credit (irrespective of when they signed their tenancy agreement).

People moved by the DWP from Housing Benefit to Universal Credit after April 2019 whose overall benefit entitlement is lower will be protected, in cash terms, under transitional protection arrangements. On reaching state pension age Universal Credit claimants flowing back on to Housing Benefit with tenancies signed before April 2016 will also continue not to be subject to LHA limits.

The LHA rates for an area can be found at: <http://lha-direct.voa.gov.uk/Search.aspx>

Housing Benefit claims

For people receiving Housing Benefit the cut will apply to tenants who have signed new or re-let tenancies on or after 1 April 2016 and their social sector rent (including service charges) is higher than the Local Housing Allowance (LHA) rate. Those on Housing Benefit with tenancy start dates prior to April 2016 will not be affected unless they subsequently move or renew a tenancy.

Please note that these new rules for tenants in general needs homes will apply in 2019 rather than 2018 as previously announced by the Government.

The rules governing this change in benefit will be set out in regulations. The DWP has not published draft regulations at this stage and the detail of the policy set out below is based on Government statements and a letter from Lord Freud.

What about spare rooms?

The LHA rate is based on the size of the household and there is no difference in the rates between working age households and those above pension age. This means that a pensioner couple will be entitled to the one bedroom rate of LHA regardless of the actual size of the home unless they qualify for the two bedroom rate due to a need for an overnight carer.

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If the difference between the eligible rent and the relevant LHA rate for the household is higher than the reduction for under-occupied bedrooms, only the LHA cap will apply. Similarly, if the reduction for under-occupied bedrooms is higher than the relevant Local Housing Allowance rate for your household, only the reduction for under-occupied bedrooms will apply.

Will there be any exceptions to the under 35s shared accommodation rate?

The DWP has stated that the exceptions to the Shared Accommodation LHA rate for private sector tenants will apply to the social sector rules. These are set out below. There are some differences between the rules for Housing Benefit and for Universal Credit.

The tenant can claim the one bedroom rate if he or she:

- gets the severe disability premium (under Housing Benefit)
- is in receipt of Attendance Allowance, middle or higher rate of DLA care component or daily living component of PIP
- is under age of 22 and was looked after or under supervision of the local authority under specific legal conditions after he/she turned 16
- is under 22 and provided with accommodation by the local authority under specified provisions (rules are complicated)
- requires overnight care (same rules as spare room subsidy)
- is at least 25 and been living in a homeless hostel for three months or more (this does not have to be continuous) and received support
- For Housing Benefit - is at least 25 and is an offender subject to specific MAPPA arrangements. (There is no lower age limit for Universal Credit claims)

Rules for supported and sheltered housing tenants

The Government announced a new system to fund supported and sheltered housing from 2019. Anyone claiming Housing Benefit or Universal Credit and who lives in supported or sheltered housing will have their benefit reduced to the LHA level from April 2019 and funding will be devolved to local authorities to allow the costs above the LHA level to be covered. The Shared Accommodation Rate (SAR) will not apply. Government consulted on the detail of this future funding system and will announce further details in autumn 2017. The Federation is pressing Government to introduce higher levels of LHA for supported and sheltered housing tenants as the rents in this specialist housing tend to be higher than in general needs. See [here](#) for more information.

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The analysis in the paper only concerns tenants in general needs social housing.

Assessing the impact of the LHA cap - analytical approaches

In order to assess the possible impact of these changes, we used two different analytical approaches. The first section uses CORE lettings data from 2012/13. This is due to the fact that more recent CORE releases no longer contain the level of detail (in terms of specifying local authority area, and stating non-banded rent and service charge information) necessary to carry out the following analysis.

Using the 2012/13 CORE datasets, we:

- combined the general needs datasets for social rent and affordable rent, including registered provider and local authority lettings
- removed all lettings where the tenants were not deemed to be HB eligible
- removed all lettings for which insufficient tenant information was available (for example, all lettings for which the number of household members was set at zero, except for those where age data allowed us to impute this information)
- used a lookup compiled by the Chartered Institute of Housing (CIH) to align each letting with the most likely matching Broad Rental Market Area (BRMA) for the local authority area concerned
- identified lettings to which the Shared Accommodation Rate (SAR) would be applicable
- estimated the level of LHA relevant to the letting by comparing SAR applicability or property size with published LHA rates
- calculated shortfalls between relevant estimated LHA rates and actual rents (including Housing Benefit-eligible service charges) charged.

The second section of this paper compares average rents for a range of property sizes with the comparable LHA rates.

Caveats

The findings of this first section assess what would have happened had the limiting of HB claims to LHA levels been applied to the 2012/13 lettings cohort. Obviously they can only be seen as indicative as the distribution of lettings across the country, and the makeup of households within those lettings, will vary from year to year. Please bear this in mind when using these findings.

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We are unable to assess the proportion of rent and eligible service charge covered by each household's Housing Benefit / LHA award, so have just compared the maximum level with the relevant rent and service charge.

SAR applicability has been assumed for all households consisting of a single person under the age of 35. From 2019 some people under 35s will have their benefit capped at the one bedroom rate rather than the SAR (for example due to disability or having lived in a hostel for more than 3 months). It is not possible to isolate these groups from the CORE data.

LHA rates have been calculated based on a) SAR applicability (see above) and then b) the number of bedrooms in the property. LHA awards are in reality worked out based on the number of people in the household and the number of rooms they are deemed eligible for; however the complexity of assessing more than 100,000 households in our sample in this way militates against taking this approach in this analysis. This means that we have assumed that households are in properties appropriate to their size, and have not figured in any deductions relating to the spare room reduction.

Findings

Firstly, how many HB-eligible households are affected, i.e. would face a shortfall?

Region	Not affected	Affected	Total	% affected	Average weekly shortfall where affected
North East	9,624	2,527	12,151	20.8%	£14.51
North West	20,439	5,866	26,305	22.3%	£15.83
Yorkshire & Humber	14,810	3,124	17,934	17.4%	£14.92
East Midlands	10,248	2,284	12,532	18.2%	£15.01
West Midlands	14,178	3,779	17,957	21.0%	£16.60
East	10,339	2,253	12,592	17.9%	£20.11
London	15,615	2,559	18,174	14.1%	£31.59
South East	12,777	2,103	14,880	14.1%	£23.11
South West	9,151	1,504	10,655	14.1%	£18.19
England	117,181	25,999	143,180	18.2%	£18.28

Base: HB Eligible households, HA and LA general needs lettings

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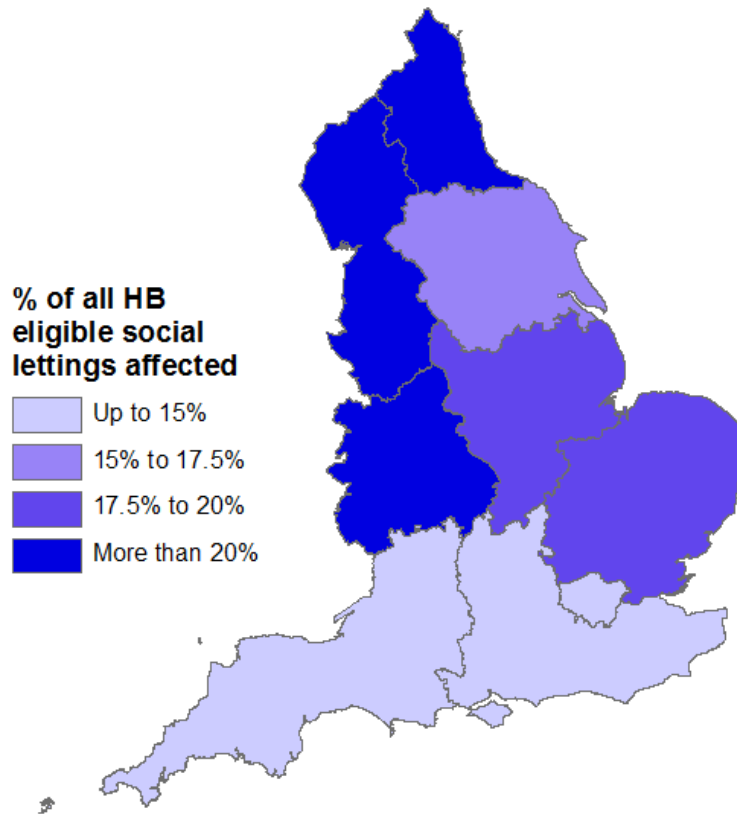
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So for example, were the new rules applied to 2012/13 lettings, nearly 6,000 HB-eligible households in the North West would face a shortfall between their LHA and rent, a shortfall averaging £9.60 a week for those affected households.



A higher percentage of claimants in the north and midlands are affected than in London and the south – but they face, on the whole, lower shortfalls:

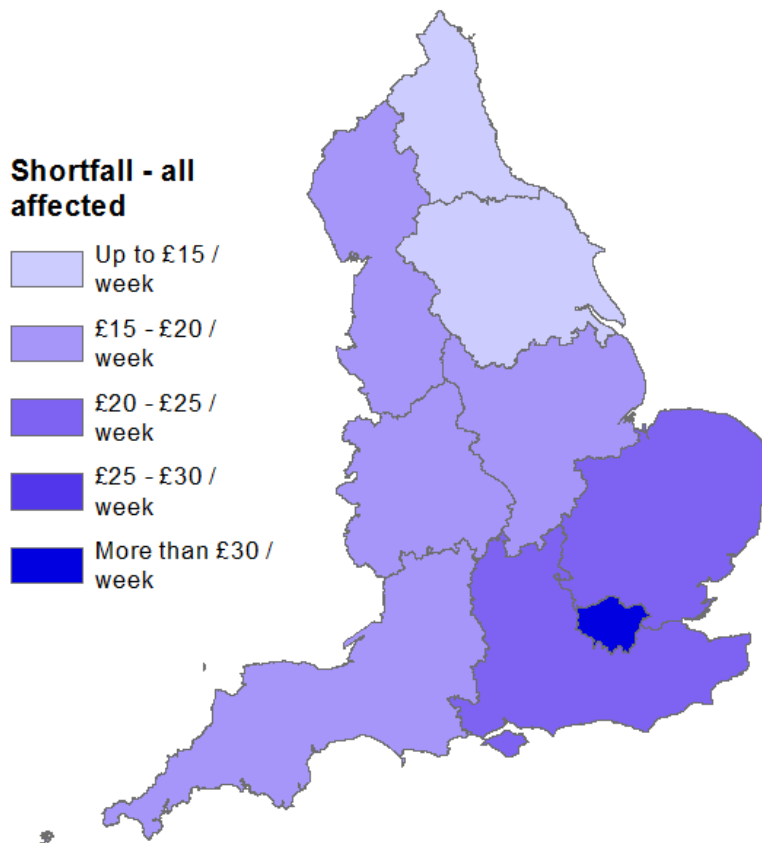
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Unsurprisingly, there is a difference between the experience of housing association tenants and that of local authority tenants:

Region	% of HA lettings affected	% of LA lettings affected	Average weekly HA shortfall where affected	Average weekly LA shortfall where affected
North East	25.2%	12.7%	£15.52	£10.85
North West	23.3%	16.5%	£16.60	£9.60
Yorkshire & Humber	25.5%	8.7%	£17.19	£7.62
East Midlands	23.4%	13.1%	£17.39	£10.72
West Midlands	23.8%	15.1%	£19.35	£7.13
East	18.9%	15.3%	£23.20	£10.19
London	16.8%	9.0%	£37.69	£9.76
South East	16.5%	6.7%	£24.89	£9.68
South West	15.3%	9.0%	£18.54	£15.53
England	21.1%	11.6%	£20.43	£9.50

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The lower average rents charged in local authority properties mean that a lower proportion of local authority tenants are likely to be affected by the changes than housing association tenants. Where they are affected, they are likely to face lower shortfalls.

Of those affected, to how many is the SAR applicable? And what average shortfall do SAR-applicable claimants face?

Region	SAR not applicable	SAR applicable	Total affected	% of affected to which SAR is applicable	Average shortfall per week where SAR applicable
North East	488	2,039	2,527	80.7%	£15.58
North West	727	5,139	5,866	87.6%	£16.95
Yorkshire & Humber	716	2,408	3,124	77.1%	£15.75
East Midlands	252	2,032	2,284	89.0%	£16.01
West Midlands	275	3,504	3,779	92.7%	£17.22
East	156	2,097	2,253	93.1%	£20.73
London	37	2,522	2,559	98.6%	£31.75
South East	217	1,886	2,103	89.7%	£24.72
South West	105	1,399	1,504	93.0%	£18.75
England	2,973	23,026	25,999	88.6%	£19.37

Base: HB Eligible households, HA and LA lettings, affected by shortfall

Region	% of affected HA lettings to which SAR is applicable	% of affected LA lettings to which SAR is applicable	Average shortfall per week where SAR applicable (HA)	Average shortfall per week where SAR applicable (LA)
North East	76.5%	95.8%	£17.12	£11.13
North West	86.1%	99.5%	£18.00	£9.62
Yorkshire & Humber	72.6%	91.4%	£18.89	£7.75
East Midlands	84.9%	96.3%	£19.24	£10.89
West Midlands	90.6%	100.0%	£20.45	£7.13
East	91.2%	99.3%	£24.29	£10.23
London	98.2%	100.0%	£38.01	£9.76
South East	88.4%	99.6%	£26.96	£9.68
South West	92.9%	93.7%	£19.40	£13.90
England	86.4%	97.3%	£22.09	£9.53

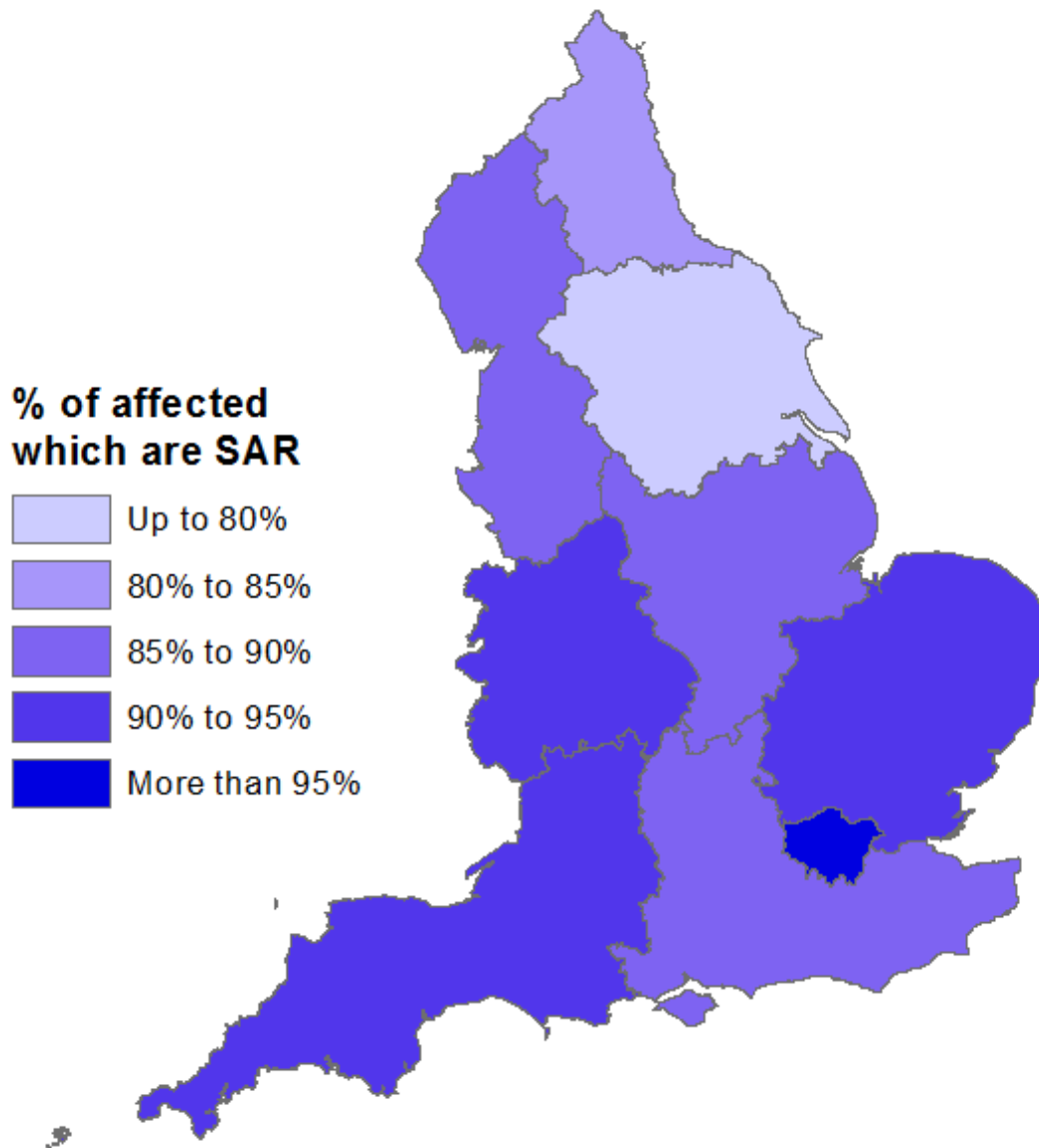
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Section two – comparing average housing association rents with LHA rates

This section compares average housing association rents for a range of property sizes with the comparable LHA rates.

Average rents were arrived at by calculating the total weekly rent payable for each size of property in each local authority area published in the HCA's Statistical Data Return (SDR) for 2016, then dividing that total by the total number of dwellings of that size in that area. This gave us a mean average rent for each dwelling size in each LA area. The same process was carried out to arrive at a mean average HB-eligible service charge for each size of property in each LA area. These two were then added together to give a total average rent and HB-eligible service charge.

LHA rates relating to the rates at April 2017 were sourced from the Valuation Office Agency (VOA). As the geography upon which LHA rates are calculated (Broad Rental Market Areas or BRMAs) does not align in any way with local authority boundaries, a "best match" tool created by CIH analysts was used to match up local authorities with BRMAs.

Average rents were then compared with LHA rates to see what if any shortfall would be experienced.

Approach and findings

As social sector rents are generally much lower than private rents, it was not expected that a straight comparison of rents with LHA rates within the same property size would show much difference. Indeed this is borne out by the maps comparing one-bed rents with one-bed LHA rates, and two-bed rents with two-bed LHA rates. For larger properties, there are no local authority areas affected.¹

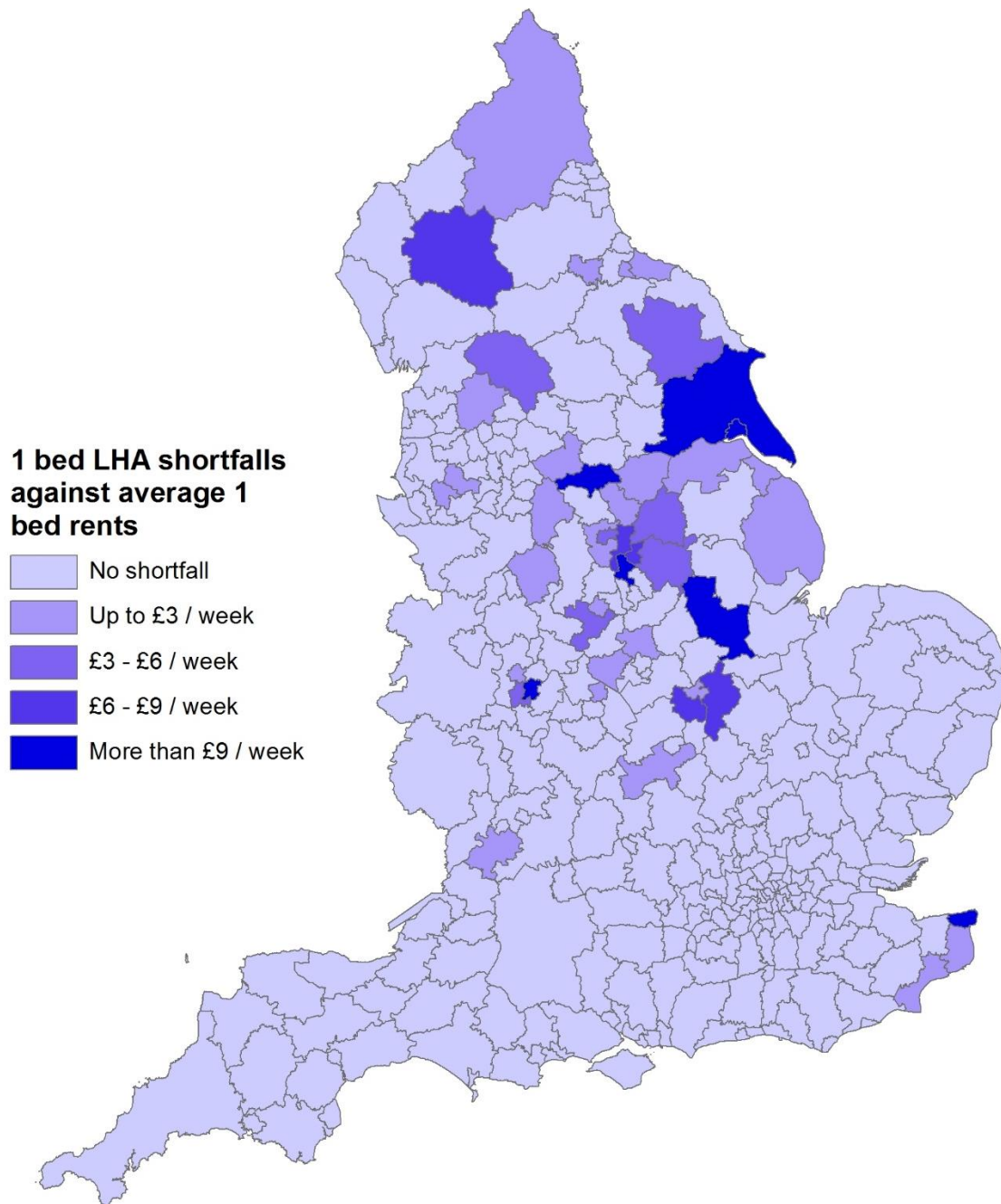
¹ Note these calculations are based on average rents and approximated BRMAs – it is likely that there will be individuals affected in every local authority area in the country; however the overall, average picture is as stated.

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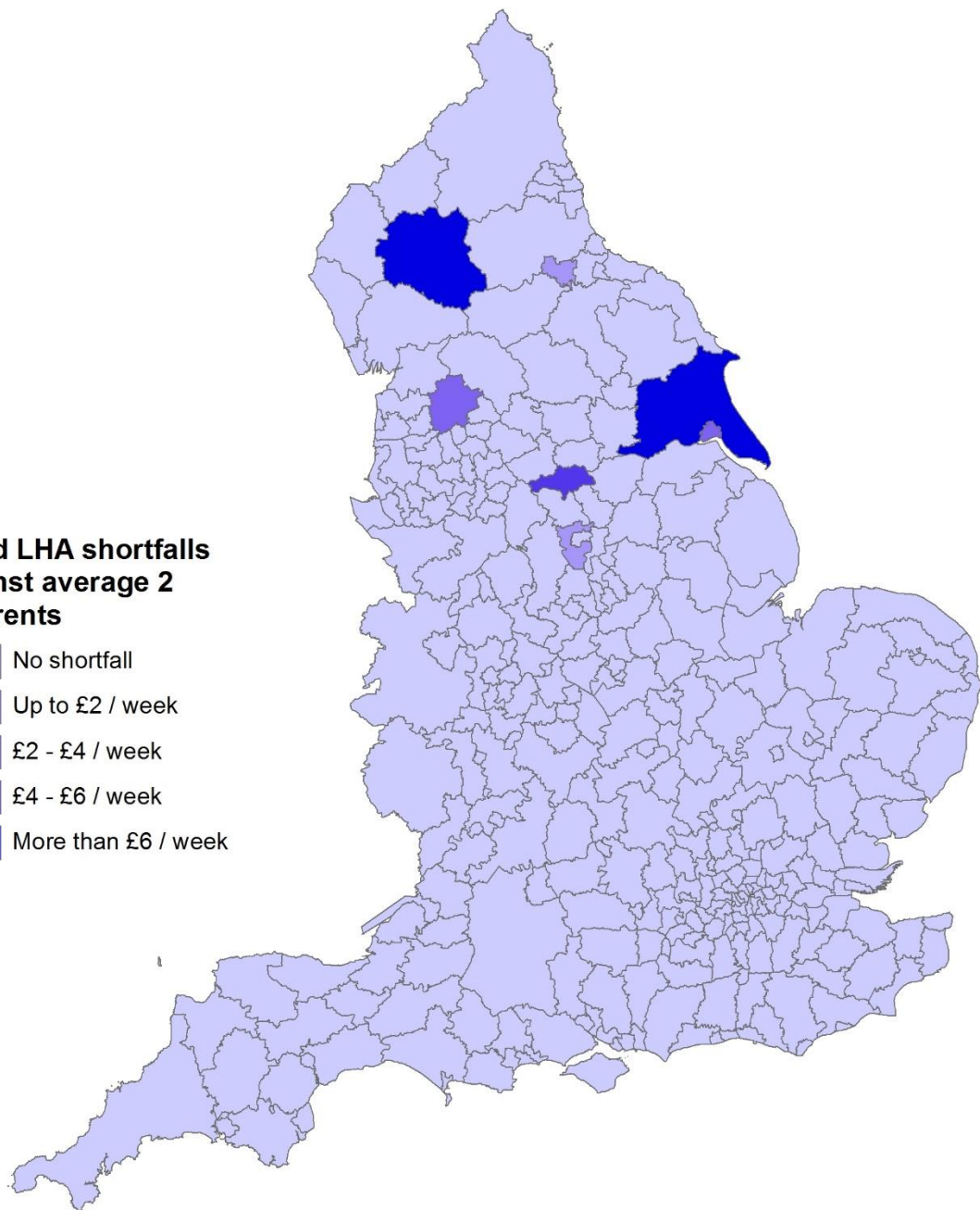
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**2 bed LHA shortfalls
against average 2
bed rents**



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Impact on people under 35

The comparison between one-bed rents and the SAR LHA rates, shows that people under 35 are impacted by the cap in nearly all areas of England. Only two local authority areas (in North West London) do not experience a gap between the LHA SAR rate and the average 1 bed rent. The worst affected areas are concentrated around London and the South East, though with significant pockets of the worst-affected areas right across the country. In the worst affected areas tenants will lose more than £40 per week.

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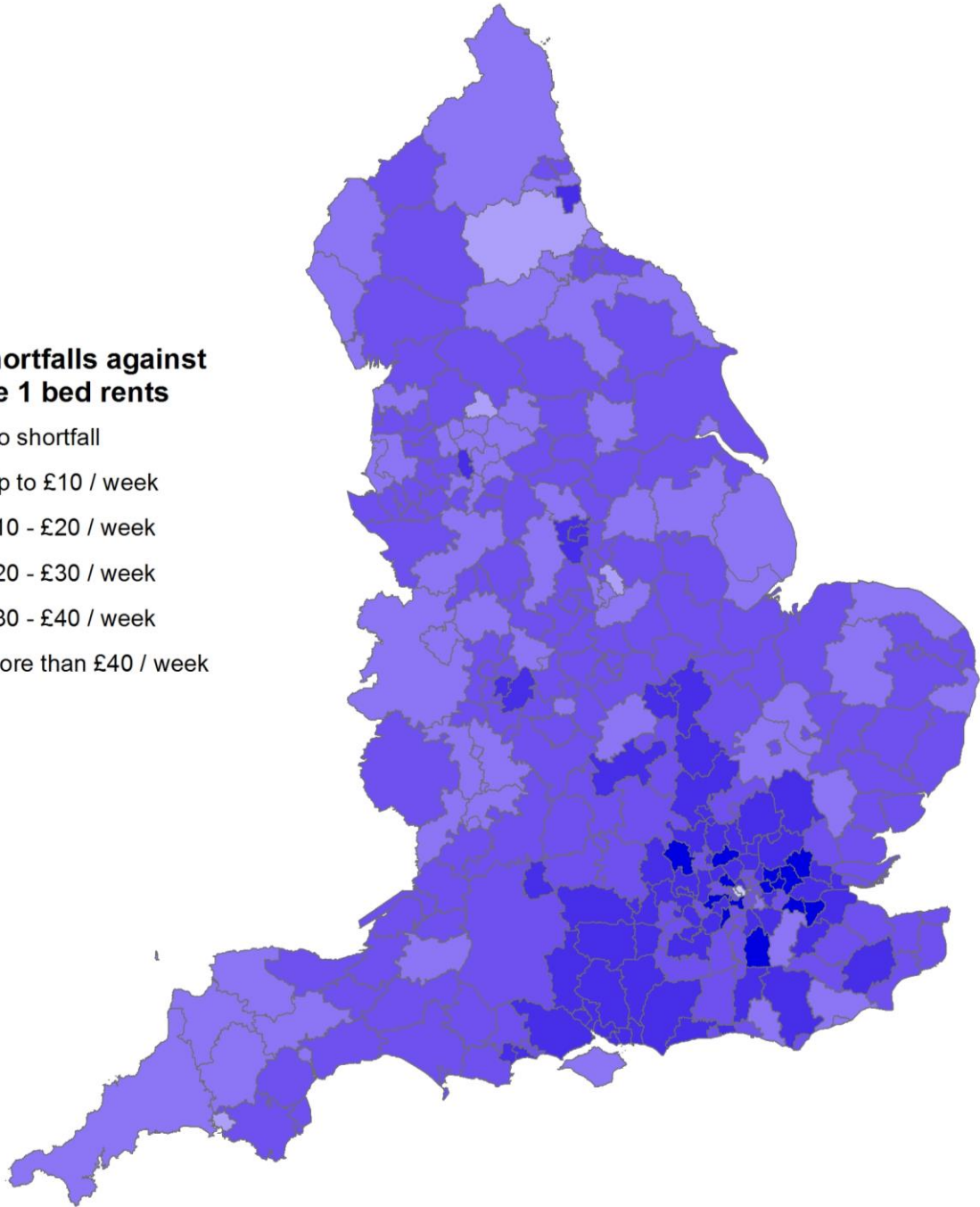
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**SAR shortfalls against
average 1 bed rents**



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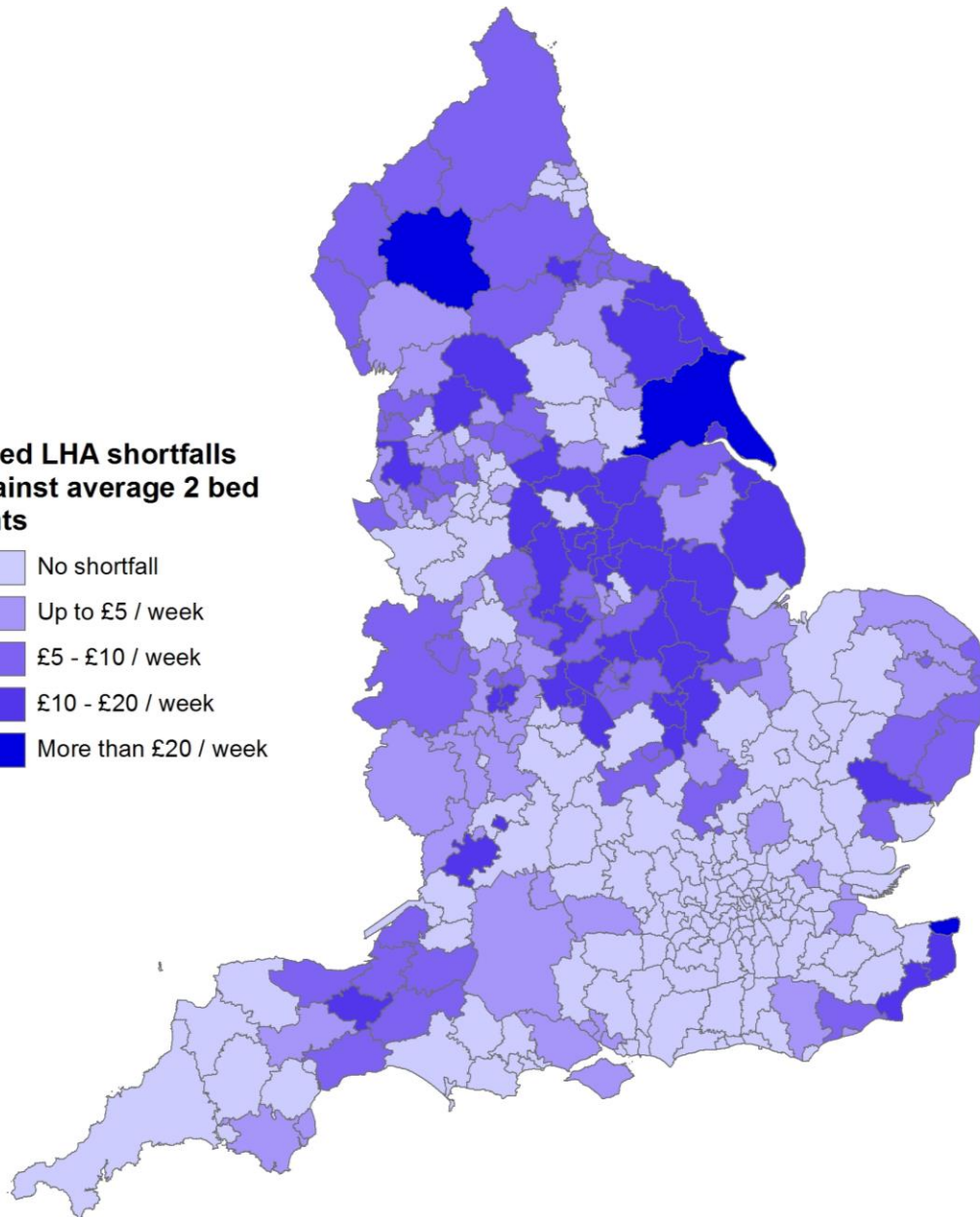
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**1 bed LHA shortfalls
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rents**



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Older people living in two bed properties

The chart showing the comparison between one bed LHA rates and two bed properties shows a gap between benefit levels and rents outside London and the home-counties, primarily hitting areas in the North and Midlands (as well as a significant concentration along the Kent coast).

Older people who take up a new tenancy from 2016 will be impacted by the LHA cap. This means that older people with a spare room who would not be affected by the 'spare room subsidy' (bedroom tax) might be impacted by the LHA cap.

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