
LOCAL HOUSING ALLOWANCE FOR TENANTS IN SOCIAL HOUSING

SUMMARY REPORT

Purpose of the Report

1. To provide an update on the Government's proposals for how Local Housing Allowance will apply to tenants in social housing and the potential impact on residents and the Council.

Summary

2. Assistance with housing costs for social housing tenants will be restricted to Local Housing Allowance rates from 1 April 2019. For households in receipt of Housing Benefit, this will apply to all new tenancies started from 1 April 2016. For households in receipt of Universal Credit, this will apply to all new and existing tenancies.
3. This report sets out the potential impacts of these changes and the further actions required to support potentially affected tenants.

Recommendation

4. It is recommended that Scrutiny Members note the contents of this report.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report.

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MAIN REPORT

Information and Analysis

Background

5. Local Housing Allowance (LHA) was introduced for tenants living in the private rented sector from April 2008 and is the way in which the eligible rent is calculated for new Housing Benefit claims.
6. LHA is a flat rate allowance for different sizes of properties within a Broad Market Rental Area (BMRA). The Rent Service (now part of the Valuation Office Agency) is responsible for deciding BMRAs and setting LHA rates. The whole of Darlington Borough is situated within one BMRA, which means that we only have one set of LHA rates to calculate Housing Benefit entitlement. LHA rates are set by the Valuation Office each April. However, LHA rates have been frozen by the Government from 2015 until 2020.
7. Since April 2011, LHA rates within BMRAs have been based on the 30th percentile of local market rates (previously they had been calculated on the median). If a tenant's eligible rent is below their applicable LHA rate, then their Housing Benefit will be calculated using the actual rental figure. However, if their rent is more than their applicable LHA rate, then their Housing Benefit entitlement will be capped at that LHA rate. The applicable LHA rate is based on the number of people in a household who need a bedroom, and not on the actual size of the property.
8. There are five LHA rates, as follows:
 - (a) The **shared room rate** applies to single people or couples living in shared accommodation. It also applies to single people under the age of 35, irrespective of the type of accommodation they are living in.
 - (b) The **one room rate** applies to single people (aged 35 or over) and couples living in one bedroom self-contained accommodation.
 - (c) The **two room rate** applies to anyone who needs two bedrooms.
 - (d) The **three room rate** applies to anyone who needs three bedrooms.
 - (e) The **four room rate** applies to anyone who needs four or more bedrooms.
9. The following people in each household are assessed as needing a bedroom:
 - (a) A couple
 - (b) Any single person aged 16 or over
 - (c) Any two children of the same sex under the age of 16
 - (d) Any two children of different sex under the age of 10
 - (e) Any other child.
10. *Example 1:* A couple with two children; a boy aged 9 and a girl aged 7 would be entitled to the two room LHA rate. However, once the boy reaches his 10th birthday, then they would become entitled to the three room LHA rate.

11. *Example 2:* A single pregnant female aged 20 would be entitled to the shared room rate. However, once the baby is born, she will be entitled to the two room rate.
12. An extra bedroom can also be allowed for the following:
 - (a) A foster child or children
 - (b) A severely disabled child who needs their own bedroom
 - (c) A carer who provides regular overnight care to someone in the household who is disabled.
 - (d) A son or daughter who is away on duty with the armed forces and intends to return home.
13. The current LHA rates that apply in Darlington are as follows:

LHA rate	Weekly amount	Monthly amount
Shared room rate	£59.28	£257.59
One room rate	£75.00	£325.89
Two room rate	£90.90	£394.98
Three room rate	£107.11	£465.42
Four room rate	£149.17	£648.18

14. The Council can pay Discretionary Housing Payments to top-up a tenant's Housing Benefit, where their rent exceeds their applicable LHA rate.

LHA Rates for Tenants in Social Housing

15. In the Spending Review and Autumn Statement in November 2015, the Government announced that LHA rates would apply to tenants in social housing, as well as private rented accommodation. The original intention was that it would only apply to new tenancies starting from 1 April 2016, with the LHA rate only applying for those tenancies from 1 April 2018. The change would apply to both working aged tenants and pensioners.
16. In March 2016 the Government announced that for social tenants in supported accommodation, the LHA rates would still apply from 1 April 2018, but that it would only apply to new tenancies starting from 1 April 2017. The intention to delay the effect of the LHA rates for people in supported accommodation was to allow the outcome of a supported housing research project and subsequent policy review to be published.
17. In November 2016, the Government made a further ministerial announcement about LHA rates for social housing tenants as follows:
 - (a) Social tenants in general needs housing who are in receipt of Housing Benefit, where the tenancy commenced before 1 April 2016 will continue to receive Housing Benefit based on their actual rent. Therefore the capping of Housing Benefit to LHA rates will not apply.
 - (b) Social tenants in general needs housing who are in receipt of Housing Benefit, where the tenancy commenced on or after 1 April 2016 will have their Housing

Benefit capped to LHA rates from 1 April 2019 (instead of 1 April 2018 as previously announced).

- (c) Social tenants in general needs housing who are in receipt of Universal Credit (where their housing costs are met through Universal Credit payments) will have their Universal Credit housing costs capped to LHA rates from 1 April 2019. This applies to all new and existing tenancies.
- (d) Social tenants who are moved from Housing Benefit to Universal Credit from 1 April 2019 whose overall benefit entitlement is lower will be protected in cash terms, under transitional protection arrangements.
- (e) Social tenants in receipt of Universal Credit, who reach the qualifying age for state Pension Credit, will move back onto Housing Benefit. Those with tenancies that commenced before 1 April 2016 will be protected (which means that the capping of their Housing Benefit at LHA rates will not apply).
- (f) The Council will also be able to pay Discretionary Housing Payments to top-up a social tenant's Housing Benefit or Universal Credit, where their rent exceeds their applicable LHA rate.

Supported Housing

- 18. For Social tenants in supported housing, the LHA rates will still apply from 1 April 2019 (as with general needs housing), but the Government intends to introduce a new funding model for supported housing from that date. Details of this new funding model are not yet known and the Government is currently undertaking consultation before publishing the details.
- 19. The intention is to ensure that supported social housing continues to be funded at the same level it would have otherwise been in 2019/20, taking into account the effect of the Government policy on social sector rents.
- 20. From 1 April 2019, core rent and service charges will continue to be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate. For costs above the level of the LHA rate, the Government will devolve an amount of funding for disbursement by Local Authorities. This will provide additional 'top up funding' to providers where necessary, reflecting the higher average costs of offering supported housing, compared to general needs. All supported housing will be affected, including hostels, refuges, sheltered and extra care accommodation.

Potential impacts

Supported Housing

- 21. It is difficult at this stage to evaluate the impact these changes will have on supported housing schemes until the details of the distribution of Government funding is known. However, at this stage the Government has said that the funding will be at the same level it would have otherwise been in 2019/20, taking into account the 1% annual reduction in rents (which will take effect in supported housing from 1 April 2017).
- 22. Some work will need to be done before 1 April 2019 to evaluate the financial impact of the changes for each supported housing scheme. This will include an

assessment of the likely rental costs that will apply in 2019/20 that would otherwise be eligible for Housing Benefit against the applicable LHA rates at that time.

23. The governance arrangements for the funding will also need to be decided before 1 April 2019 and some involvement with stakeholders, such as Social Care, Housing Associations and the Voluntary Sector will need to take place. However, as the funding is specifically for housing management costs and housing related service charges, administration of the funding should sit within Housing Services.

Universal Credit

24. Universal Credit is currently being rolled out to single people making new applications for out of work benefits in Darlington, and therefore the numbers are very small at this stage. However, the full Universal Credit service is due to go live in March 2018. This will mean that all new applications for working age benefits (including housing costs) will be made through the Universal Credit service.
25. Existing working age Housing Benefit applicants will then be migrated to Universal Credit sometime between 2019 and 2022. Therefore, at some point during this process all working age social housing tenants will be subject to the LHA cap. The roll-out of Universal Credit will be a significant challenge to the Council in relation to the collection of Council rents and the support offered to Council tenants to manage their finances. The application of the LHA cap will be an additional challenge for those affected.

Fixed-term tenancies and the allocation of Council properties

26. In November 2016, the Government also announced that the introduction of fixed-term tenancies will be mandatory for all new Council tenancies from April 2017. The introduction of the LHA cap for social housing tenants will present a challenge in the allocation of properties to prospective tenants, particularly for single people under 35, whose benefit will be capped to the shared room rate.
27. A financial check will need to be considered for everyone bidding for Council properties through the Choice Based Lettings system, to ensure a tenancy is affordable and taking into account the potential impact of the LHA cap. The introduction of fixed-term tenancies may assist in this process to allow the Council to review a tenant's financial circumstances to ensure a tenancy can remain affordable, before making a decision to extend the tenancy.

The impact of other welfare reforms

28. As well as the LHA cap and roll-out of Universal Credit, the impact of other welfare reforms will also need to be taken into account:
 - (a) The *Benefit cap* limits the overall amount of benefits and Tax Credits a household can receive each year and in November 2016, this was decreased to £20,000 for households with children. This change has mainly impacted larger families and in particular those social tenant households with three or more children. Even if their rent is lower than the applicable LHA cap, the

overall Benefit Cap may still have the effect of limiting the amount of Housing Benefit or Universal Credit these families receive.

- (b) The *under-occupancy charge* (or 'bedroom Tax') currently affects those households whose property is larger than their needs, using the LHA size criteria set out in paragraph 8 above. Tenants can lose 14% or 25% of their Housing Benefit, depending on the number of excess bedrooms in the property. It is not known how this policy will interact with the LHA cap from April 2019.
- (c) The Government is also proceeding with the policy to limit the availability of assistance with *housing costs for people aged 18 to 21*. From April 2017, the housing costs element of Universal Credit will not be available to applicants aged 18 to 21 who are out of work, unless an exception applies. This change does not apply to Housing Benefit and will only apply to those areas where the full Universal Credit service is available (so for Darlington that will be from March 2018). Details of the exceptions are not known at this stage, but are likely to include applicants with children, certain young people with disabilities, working young people and young people leaving care.

Summary and Further Action

- 29. Further analysis is required to evaluate the potential impact of the LHA cap on every Council tenant, taking into account their likely rent and applicable LHA rate in April 2019. Once the full picture of the impact of this change is known, the Council will be in a position to evaluate the level of support that can be made available to affected households.
- 30. Allocations of properties from April 2017 will be made under fixed-term tenancies in accordance with Government legislation, but the Council will be mindful of the type of tenancy to offer to people potentially affected by the LHA cap. Affordability checks at the registration and sign up stages of the process will ensure the full impacts of the change are fully explained to the prospective tenant. In cases where it is not deemed appropriate to allocate a tenancy, advice and signposting to other services will be offered.