

Housing Development Briefing Note

To: Housing Improvement Board
Person to Contact: Jennifer MacMahon, Strategic Housing Officer
Date: 24 April 2017
Tel No: 7721
Subject: Extension of Local Housing Allowance cap

Background

As part of their wider approach to Welfare Reform, the UK government has introduced a number of measures which cap the rate of Housing Benefit or Housing Costs for Universal Credit cases, to the rate of Local Housing Allowance (LHA).

What is the Local Housing Allowance?

LHA was introduced on 7th April 2008 to assist people living in the private rented sector with their rent. The rate of LHA depends on the number of rooms required and the area lived in. LHA areas are based on the Broad Rental Market Areas (BRMA) and the rates paid are based on private market rents being paid in these areas.

The aim of LHA is to ensure that those who live in similar circumstances in the same area receive the same amount of support towards their housing costs. Tenants receive the allowance and then pay their landlord accordingly. Under certain circumstances the landlords can receive the rent directly.

If someone is under 35 years old and does not have any dependent children living with them, the eligible rent is capped to a shared accommodation rate, even if the property is not shared. This does not affect people in supported accommodation.

Main Issues

Planned changes which have been announced have increased the scope of the LHA cap in the following ways;

- From the 1st April 2019, anyone who is in a general needs tenancy and who is on universal credit will be subject to the LHA cap,
- From the 1st April 2019, anyone who is in a general needs tenancy and who remains in receipt of Housing Benefit and whose tenancy began after 1st April 2016 will be subject to the LHA cap,
- From the 1st April 2019, anyone living in supported accommodation will be subject to the LHA cap.

The main impacts of these changes are that;

- these general needs tenants will now therefore be covered by the rule that caps LHA to the shared room rate for those under 35 with no dependents,

- these general needs tenants whose rent is above the LHA rate will no longer have their full housing costs covered,
- all supported housing tenants will now be covered by the LHA cap

General needs tenants under 35 with no dependents

The table below shows the LHA rate paid in West Dunbartonshire in 2017/18, the average rent charged by West Dunbartonshire Council for a mainstream tenancy and the LHA rate that would be paid to those general needs tenants, under 35 who have no dependent living with them.

Size of accommodation	LHA rate 2017/18	WDC ave. rent	LHA rate that would be paid
Shared Accommodation	£63.46	n/a	£63.46
1 Bedroom	£86.54	£69.01	£63.46
2 Bedroom	£103.85	£71.08	£63.46
3 Bedroom	£115.38	£75.40	£63.46
4 Bedroom +	£169.69	£80.42	£63.46

Table 1: 2107/18 Local Housing Allowance Rates in West Dunbartonshire (£ per week)

Tenants who would only be entitled to the shared room rate would only be entitled to £63.46, when the average rent is currently £69.01. This means that they would have to make up the rest themselves. For a one bedroom this would mean that the affected tenant would have to pay £5.55 per week to meet their rent. Given the shortages in one bedroom properties it would be highly likely that some of these tenants are in 2 bedroom properties and would have to make up £7.62 per week.

Housing Association rents in West Dunbartonshire vary and whilst for the most part their rents are below the LHA rate at least one housing association has a rent for a 1 bedroom property £13 higher than the shared room rate.

For those tenants who currently find themselves affected by aspects of Welfare Reform, Discretionary Housing Payments (DHP), are available to mitigate and assist. This will continue to be the case, however the DHP budget is cash limited and it is likely future applications will be assessed on a needs and Income / Expenditure basis.

General needs tenants whose rent is above the LHA rate

From the table above it can also be seen that at present West Dunbartonshire Council rents are below the LHA rate for all property sizes meaning that all tenants subjected to the LHA cap will receive enough benefit to cover their rent.

Supported housing tenants

Supported accommodation includes;

- people experiencing homelessness,
- people experiencing drug and alcohol misuse,
- people with learning disabilities,
- people with physical or sensory disabilities,

- people experiencing mental health problems,
- older people with support needs,
- young people at risk,
- ex-offenders, and
- women at risk of domestic abuse.

As noted above people who are living in supported accommodation from 1st of April 2019 will be subject to the LHA cap, although will not be affected by the shared room rate. Historically rents for supported accommodation have always been high. This is because there is the basic rent and then extra for the support provided. The UK Government has stated that there will be a pot of money that will be devolved to the Scottish Government to fund the support element of the rent. How much this is and how it will be shared out amongst local authorities has not been decided yet.

The planned cap will severely limit the ability of housing benefit to cover the necessary rental costs needed to run supported housing. Without adequate alternative funding, this could result in supported housing projects being forced to close leaving the most disadvantaged and vulnerable with nowhere to live.

What it means for West Dunbartonshire

The planned changes outlined above will have an effect in West Dunbartonshire, which will include;

- an increase in rent arrears from general needs tenants under 35 that are unable to make up the shortfall between LHA awarded and rent due, and
- the need for the future funding options for supported housing to be explored.

Actions being taken:-

- Discretionary housing payments currently mitigate the most visible aspects of welfare reform, however as outlined above pressures grow on this budget with future funding unclear,
- One of the actions in our homelessness strategy, More than a Roof, is to explore more innovative ways of housing young people and protecting them from the impacts of welfare reform, by for example look into shared tenancies,
- Another key action being taken forward as part of More than a Roof, is a temporary accommodation modelling exercise which look at the demand for different types of temporary and supported accommodation, how the funding for this is being adversely affected by all aspects of Welfare Reform and what other potential funding options can be developed.

Recommendations:-

The Housing Improvement Board should consider tasking officers with the following further actions:-

- a. Carry out financial projections looking at the number of young tenants affected. (Ryan Chalmers/Jennifer MacMahon)
- b. Ensuring that staff are fully aware and trained in the benefit changes and that actions are taken to ensure that current and future tenants under 35 receive

proper advice and are fully assessed in terms of being awarded the shared room rate of LHA.(Ryan Chalmers/Jennifer MacMahon)