



BRIEFING PAPER

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Local Housing Allowance caps and the social rented sector

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1. Summary

Housing Benefit claimants living in the social rented sector have generally not faced restrictions on the level of rent that can be considered as eligible rent for Housing Benefit purposes.¹ During the [Spending Review and Autumn Statement 2015](#) George Osborne announced an intention to restrict the level of Housing Benefit, or the housing element of Universal Credit, claimed by tenants in social housing (council and housing association stock) to the Local Housing Allowance (LHA) rate. LHA rates currently apply to most Housing Benefit claimants living in the private rented sector and entitlement is related to household size.

Social sector landlords were concerned that this would result in shortfalls between the rent due and claimants' entitlement to Housing Benefit. This could, in turn, result in rent arrears and impact on landlords' revenue streams, in addition to increasing the risk of homelessness for affected tenants. There were concerns that it would impact people who are not of working-age and who are exempt from the under-occupation deduction from Housing Benefit ('bedroom tax'/Removal of Spare Room Subsidy). The introduction of the Shared Accommodation Rate into the social rented sector for single people under-35 was also viewed as a key risk.

Applying LHA rates to the social rented sector was likely to have most impact where social sector rents are closer to market levels. Particular concerns were raised about the impact of the measure on supported housing providers – this issue is covered in a separate Library briefing paper: [Paying for supported housing](#).

During Prime Minister's Questions on 25 October 2017, Theresa May announced that LHA rates would **not be applied to supported housing, nor would they be applied to general needs social housing**. This was confirmed in a further [consultation paper](#) published on 31 October 2017:

In the Autumn Statement 2015, we announced our intention to apply the Local Housing Allowance rates to social rents, including supported housing, with effect from 2018. The implementation date was subsequently deferred to April 2019.

Since then, we have listened carefully to the concerns raised by the social housing sector and other key stakeholders about the issues that this measure would present. As the Prime Minister has recently announced, in response to

¹ An exception to this would be the introduction of deductions for under-occupying tenants in April 2013.

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those concerns the Government will not apply the Local Housing Allowance rates to tenants in supported housing, nor to the wider social rented sector.²

Consultation is ongoing into future funding plans for supported housing. The sector has welcomed the decision not to proceed with LHA caps in the supported and wider social housing sectors.

2. Spending review and Autumn Statement 2015

During the [Spending Review and Autumn Statement 2015](#) the Chancellor announced that Housing Benefit claimants living in dwellings rented from a social landlord (local authority or housing association) would face future restrictions on the amount of Housing Benefit they would receive:

Between 1999-00 and 2010-11, spending on Housing Benefit increased by 46% in real terms, reaching £21.4 billion. The government has already announced significant changes to Housing Benefit at Summer Budget. This Spending Review and Autumn Statement takes further steps to ensure fairness between those receiving Housing Benefit and those paying for the system.

The government will:

cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children. This reform will mean that Housing Benefit will no longer fully subsidise families to live in social houses that many working families cannot afford, and will better align the rules in the private and social rented sectors. It will also ensure that Housing Benefit costs are better controlled and will help prevent social landlords from charging inflated rent for their properties. **This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards.³**

2.1 An amended implementation date

A delay in applying the LHA caps and an extension to all Universal Credit claimants was announced during the [Autumn Statement 2016](#):

Local Housing Allowance (LHA) rates in social housing – the implementation of the cap on Housing Benefit and LHA rates in the social rented sector will be delayed by 1 year, to April 2019. The cap will be applied to all supported housing tenancies from April 2019, and the government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area. For general needs housing, the cap will now apply from April 2019 for all tenants on Universal Credit, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016.⁴

3. What are LHA rates?

The vast majority of Housing Benefit claimants living in privately rented dwellings receive the LHA. LHA is paid at a flat rate⁵ which is set at the 30th percentile of market rents for

² DCLG & DWP, [Funding Supported Housing](#), October 2017, p5

³ [Spending Review and Autumn Statement 2015](#), November 2015, para 1.125

⁴ [Autumn Statement 2016](#), Cm 9362, November 2016, para 5.5

⁵ An individual's actual entitlement to LHA will depend on their personal circumstances – it is a means tested benefit and it is possible to receive the full LHA rate or partial LHA.

properties of different bedroom sizes (up to a maximum of four bedrooms) within a Broad Market Rental Area (BMRA).⁶ Weekly LHA rates are published for each BMRA. Weekly LHA rates are also subject to [national caps](#) which are currently:

- £260.64 for a room in shared accommodation
- £260.64 for 1 bedroom accommodation
- £302.33 for 2 bedroom accommodation
- £354.46 for 3 bedroom accommodation
- £417.02 for 4 bedroom accommodation

LHA is a means-tested benefit so the actual amount of assistance that a claimant receives will depend on their individual circumstances. It is possible to [search](#) for LHA rates by postcode.

As part of the [Summer Budget 2015](#) the Chancellor announced that LHA rates would be frozen for four years from April 2016:

Since the financial crisis began in 2008, average earnings have risen by 11%, whereas most benefits, such as Jobseeker's Allowance, have risen by 21%. To ensure that it always pays to work, and that earnings growth overtakes the growth in benefits, **the government will legislate to freeze working-age benefits, including tax credits and the Local Housing Allowances, for 4 years from 2016-17 to 2019-20.** This is forecast to save £4 billion a year by 2019-20.⁷

The freeze means that current LHA rates are based on the 30th percentile of the distribution of market rents within BRMAs in the twelve months to September 2015. Some areas with the highest rent increases attract Targeted Affordability Funding:

Around 30 per cent of the savings from the Local Housing Allowance (LHA) Freeze will be recycled to use as Targeted Affordability Funding. No Targeted Affordability Funding was available in 2016/17 as there were no savings from the LHA Freeze due to zero inflation levels. The amount available for 2017/18 is £13.33 million and we will announce the funding for future years in due course.⁸

The level of Targeted Affordability Funding for 2017/18 was set by Treasury. The allocation of this fixed funding pot has been based on ranking all 960 LHA rates in Great Britain according to the share of the private rental market they can afford in each area according to the latest available rent officer data, with a 3% increase applied to the 48 uncapped LHA rates below the 5th percentile of market rents. All five LHA rates for the Outer North East London Broad Rental Market Area were assessed as above the 5th percentile of market rents and therefore did not qualify for a Targeted Affordability Funding increase in 2017/18.⁹

Shared Accommodation Rate (SAR)

The Shared Accommodation Rate (SAR, previously the Shared Room Rate) was introduced in 1996 and originally limited the Housing Benefit that a single person under the age of 25 living in the private rented sector could receive to the average rent level charged for a room in a shared house. With effect from January 2012 the SAR was extended to cover single claimants up to age 35.

The move to apply LHA rates to Housing Benefit claimants living in the social rented sector means that the SAR will also apply to council and housing association tenants under the age of 35 from April 2019 if they are in receipt of Universal Credit, or if their tenancy

⁶ BRMAs are not the same as local authority areas. [Maps of BRMA boundaries](#) have been published by the Valuation Office Agency.

⁷ [Summer Budget 2015](#), July 2015, para 1.137

⁸ [LHA Written Question 66076, 6 March 2017](#)

⁹ [LHA Written Question 66078, 6 March 2017](#)

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began or was renewed after April 2016 and they are in receipt of Housing Benefit. The SAR will not apply to under-35s living in supported housing.

This is an area of significant concern as the sector does not, as a general rule, let shared properties. Single people living in self-contained one-bedroom properties may experience a significant shortfall between their contractual rent and the LHA rate for a room in shared housing within the Broad Market Rental Area in which they live.

There are some exemptions from the SAR and the Government has confirmed that these will apply “as a minimum” to general needs housing in the social rented sector:

David Lammy: To ask the Secretary of State for Work and Pensions, what assessment his Department has made of the potential effect of extending the shared accommodation rate to social rented housing on levels of homelessness among people under 35, in light of the Government’s decision to exempt single under 35 year olds from the shared accommodation rate in supported accommodation but not in general needs social rented housing.

Caroline Nokes: Full impact and equality impact assessments will be undertaken in due course.

It should however be noted that a number of exemptions to the shared accommodation rate already exist for the under 35s in the private rented sector and, as a minimum, they will be brought forward in relation to general needs housing in the Social Rented Sector. The exemptions are:

Those with children or non-dependents;

Care leavers until the age of 22;

Certain homeless people;

People over 25 leaving prison where their housing has been arranged under the Multi Agency Public Protection (MAPPA)

Those requiring overnight care or for HB are in receipt of the severe disability premium; or receive the middle or higher rate of disability living allowance or the daily living component of a personal independent payment (or the armed forces independence payment and no one receives carers allowance in respect of them). Therefore only those that fall out of these exemptions i.e. young people who are able to work and around a third of ESA/LCW/LCWRA who are not on Severe Disability Premium/PIP daily living component will be impacted.¹⁰

Research published by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University (May 2017) concluded that “it is not inappropriate to describe the housing problems of younger people as a crisis.” The research identifies LHA caps and the impact of the SAR in social housing as a key risk:

And the Shared Accommodation Rate could cause severe hardship for single 16–34 year olds claiming Housing Benefit.¹¹

Section 5 has more information on the CRESR’s findings.

4. Estimated savings

HM Treasury first published a policy costing for applying LHA rates to social sector HB claimants at Autumn Statement 2015; this original costing was subsequently updated at Budget 2016. Further changes to the rollout of LHA rates to social sector HB claimants

¹⁰ [Housing Benefit: Social Rented Housing: Written Question – 52328](#), 16 November 2016

¹¹ CRESR, [Capping Aspiration: The millennial housing challenge](#), May 2017

and the number of claimants affected were announced at Budget 2016 and Autumn Statement 2016.

The table below shows latest available costings for each of these three announcements and, taken together, total net savings forecast by HM Treasury.

Savings from applying LHA rates to most social sector tenants in receipt of Housing Benefit

£ millions, nominal terms

	2017-18	2018-19	2019-20	2020-21	2021-22
Apply LHA rates to social sector tenants ^a	0	205	310	375	
Adjusted roll-out: implement for new tenancies from April 2017 ^b	0	-60	-25	-15	
Adjusted roll-out and supported housing: implement from April 2019 ^c	0	-305	-265	160	125
Total (net savings)	0	-160	20	520	

Notes and Sources

Positive figures indicate a saving to the Exchequer

a - Announced Autumn Statement 2015, costings updated at Budget 2016

b - Budget 2016

c - Autumn Statement 2016

Full policy costings are not available for 2021-22

5. Impact of capping HB at LHA rates for social housing tenants

Analysis by [The Institute for Fiscal Studies](#) (IFS) concluded that the savings arising out of this measure would be “small in the short-run, cutting Housing Benefit expenditure by £255 million in 2020-21.” The longer-term impact was expected to be more significant:

If applied to all social tenants now:

- HB would be cut by £1.1 billion (from base of around £25bn)
- 800,000 households would lose average of £1,300 per year
- Long-run effects larger still if social rents grow faster than HB caps (which are CPI-indexed)¹²

The IFS’s [Green Budget 2015](#) estimated that there were around 750,000 households in the social rented sector with a rent level greater than the LHA rate.¹³

These estimates were based on the original timetable for implementation.

Library analysis (Cassie Barton)

It is possible to make an approximate comparison between rents set for social housing tenants and recent LHA rates covering the same local authority area. Rent data is produced at local authority level and LHA rates are set for Broad Rental Market Areas (BRMAs). Most local authority areas overlap with several BRMAs, so a direct comparison is not possible.

The table overleaf shows the results of a comparison between average affordable rents and the range of LHA rates set in each local authority in England¹⁴. It shows that there are

¹² IFS, [The Budget and Spending Review – what do they mean for social housing?](#) 2015

¹³ IFS, [Green Budget 2015](#) February 2015, p219

¹⁴ This analysis focuses on affordable rather than social rents. Affordable rents tend to be higher. A similar analysis looking at social rents for local authority properties found no discrepancies.

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a number of local authorities where the average affordable rent is higher than at least one of the LHA rates set for that property size in the same area.

Affordable rents for local authority properties and housing association properties are considered separately. In most areas, average affordable rents for local authority properties are lower than LHA rates. However, in 39% of local authorities the average affordable rent for housing association properties was higher than at least one of the LHA rates in that area.

This is an indicative comparison only. The analysis compares affordable rents with LHA rates – it does not factor in additional costs such as service charges. LHA rates are set according to the size of the household, while rent data is based on the size of the property; this analysis assumes that households live without spare rooms or overcrowding.

The discrepancies identified may, in reality, apply to few or no properties within a local authority. However, they suggest that there is greater potential for housing association tenants paying affordable rents to find that their housing benefit does not cover their rent under an LHA cap.

Number of local authorities where at least one LHA rate is lower than the average affordable rent

England, 2014/15

Proportion of rent covered by LHA rate	Local authority rents		Housing association rents (general needs only) ^{a b}	
	Number of LAs	% of all LAs	Number of LAs	% of all LAs
95% to 99%	10	3%	109	33%
90% to 94%	9	3%	57	17%
Less than 90%	5	2%	34	10%
Any under 100%	14	4%	128	39%

^a General needs lettings make up 95% of England's housing association stock. General needs and supported housing are not reported separately in the local authority data.

^b Housing association rents are calculated as a weighted average of the rents reported in the Homes & Communities Agency's Statistical Data Return. Service charges are not included.

Local authorities are counted if there is a discrepancy between an LHA rate and the average affordable rent for any property size. Bedsits and rooms in shared houses are excluded from the analysis due to limitations in the available data.

Sources: DCLG, [Local authority housing statistics data returns for 2014 to 2015](#), Table H; Homes & Communities Agency, [Statistical Data Return 2014 to 2015](#), additional tables; VOA, [LHA rates 2014 to 2015](#); House of Commons Library calculations.

National Housing Federation analysis: October 2016

The National Housing Federation (NHF, the representative body of housing associations) has carried out an analysis of the potential impact of this policy using CORE lettings data from 2012/13. This data was used "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." The methodology used, and detailed caveats associated with the findings, can be found in [Impact of applying Local Housing Allowance Rates to general needs social tenants](#).¹⁵ The findings are described as "indicative". They were also published before the

¹⁵ NHF, [Impact of applying Local Housing Allowance Rates to general needs social tenants](#), October 2016

Government announced that LHA rates would be applied to all Universal Credit claimants in April 2019.

Taking account of the limitations, the results show that more housing association tenants in receipt Housing Benefit in the North West will be affected than in any other area.

Tenants affected in London will face the largest weekly 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

The researchers identified a differential impacts for housing association and council tenants. This is to be expected as average housing association rent levels tend to be higher than council rents.¹⁶

Region	% of housing association lettings affected	% of local authority lettings affected	Average weekly housing association shortfall where affected	Average weekly local authority 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

¹⁶ Since 2010 most new housing association properties, and a significant proportion of re-lets, have been let at rents of up to 80% of the market rate (affordable rents).

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The researchers also considered the impact of the Shared Accommodation Rate (SAR) – they assumed SAR applicability for all households consisting of a single person under the age of 35:

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

Housing Benefit eligible households, housing association and local authority general needs lettings

Region	% of affected housing association lettings to which SAR is applicable	% of affected local authority lettings to which SAR is applicable	Average shortfall per week where SAR applicable (housing association)	Average shortfall per week where SAR applicable (local authority)
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

Centre for Regional Economic and Social Research analysis (CRESR): May 2017

The Consortium of Housing Associations in the South East (CASE) commissioned the CRESR at Sheffield Hallam University to conduct research exploring the housing challenges facing younger people in the region, and to consider how housing associations could be part of the solution. The resulting research was published in May 2017: [Capping Aspiration: The millennial housing challenge](#). In terms of extending LHA caps to social housing, the research found:

- In April 2019, the Shared Accommodation Rate (SAR) will restrict the rent covered by Housing Benefit for single people in this age group. Modelling at local authority level indicates that around 12,500 housing association tenants could be affected – 84% of those claiming benefit.
- The shortfall will be significant – £55.11 on average – leaving tenants with less than £18 a week to cover all other living costs. A job seeker in the 16–24 age group, would be left with only £2.79 a week to cover their living costs.¹⁷

The research confirms that the sector does not generally provide shared housing:

Housing associations' properties and management arrangements reflect traditional housing priorities: providing self-contained homes for families and older people. It is unclear whether they would be able to prioritise the fairly disparate 'under 35s' group, and how they would balance that priority with other programmes.¹⁸

In May 2017, *Inside Housing* reported that Flintshire County Council in Wales was considering the development of more shared housing as a response to welfare reform:

Analysis carried out by Policy in Practice on behalf of the council has projected that working age households in the county which were previously receiving housing benefit will be £38.82 worse-off a week on average by 2020 after transitioning to the new system.¹⁹

The SAR is seen as a key risk for associations in attempts to develop a housing solution for the under-35s. Shared housing is not attractive to prospective tenants and can be expensive to manage. CRESR noted that there are some good examples of associations providing self-contained and shared housing for under-35s, but of those schemes only one example, in Manchester, "involved rents set within local Shared Accommodation Rate levels." CRESR concluded "The viability of other schemes must now be in doubt."²⁰

Savills' research – May 2017

In [Is rent freedom a silver bullet?](#) Savills considers the degree to which rent freedoms for housing associations could deliver increased investment to develop more affordable homes. Savills state that, in theory, within the social housing sector, "at least 88% of general needs homes could have increased rent without exceeding Local Housing Allowance (LHA) caps." The caveat to this is:

...past differences between national social housing rent policy and local growth in market rents means that the scope for increase varies hugely across England. And hitting up against the LHA caps could bring housing even closer to the politics of welfare. Rents must be affordable to households both in and out of employment.²¹

The scope to increase rents to the LHA cap, according to the Savills research, will be greatest where the gap between target and market rents is largest. There are areas of the country where rents on new social housing lettings already exceed the LHA caps:

But in Scunthorpe, for example, two-thirds of new housing association general needs lettings in 2019/20 will already exceed the LHA cap and households will not receive sufficient Housing Benefit to cover rent. The similarity between social and market rents here means that there is a degree of competition between the two tenures. Rent freedom in towns like Scunthorpe would not unlock any rent increase but may allow social rents to be reduced to make sure homes are let.²²

¹⁷ CRESR, [Capping Aspiration: The millennial housing challenge](#), May 2017

¹⁸ Ibid.

¹⁹ *Inside Housing*, "Council to build shared affordable housing due to welfare reform", 10 May 2017

²⁰ CRESR, [Capping Aspiration: The millennial housing challenge](#), May 2017

²¹ Savills, [Is rent freedom a silver bullet?](#), May 2017

²² Ibid.

6. Comment

6.1 A new 'bedroom tax'?

Currently, Housing Benefit claimants in social rented housing do not experience a reduction in their entitlement if they occupy a home that is deemed to be larger than they need and have reached the qualifying age for State Pension Credit. LHA rates base entitlement to Housing Benefit on household size, so a single person or couple living in a 2-bed property may receive the maximum of the one-bedroom LHA rate within the local area.²³ There is no exemption for Housing Benefit claimants of non-working age living in the private rented sector from a reduction in entitlement if they are living in a property that is larger than they need. Housing Benefit restrictions based on the size of the property occupied have applied to tenants in the private rented sector since 1989.

Therefore, once the measure is introduced to the social sector in 2019, it raises the possibility of some pensioners who are under-occupying their homes, experiencing a shortfall in their Housing Benefit entitlement. This has led to the suggestion that the measure amounts to a 'new bedroom tax.'²⁴ The measure will only affect new tenancies entered into after 2016, so it appears that some measure of protection will apply to under-occupying pensioner households with existing tenancies at April 2016. In addition, it will only affect claimants whose rent is higher than the appropriate LHA rate.

Parliamentary questions have tried to elicit information on the number of pensioners that might be affected, for example:

Gloria Del Piero: To ask the Secretary of State for Work and Pensions, how many old-age pensioners in Ashfield constituency who live in social housing properties containing two or more bedrooms and who receive housing benefit will be affected by plans to limit housing benefit to the level of the local housing allowance.

Caroline Nokes: The information requested is not available.

For general needs accommodation in the social rented sector, the appropriate Local Housing Allowance rate will not come into effect in the social rented sector until April 2018²⁵; and then only where a new tenancy has been taken out or an existing tenancy has been renewed on or after 1 April 2016.

In the previous Parliament, we significantly increased funding for Discretionary Housing Payments to £470 million and we have already committed a further £870 million in the overall Discretionary Housing Payment funding over the next five years.

Full impact and equality assessments will be undertaken in due course.²⁶

6.2 The inclusion of Universal Credit claimants

The inclusion of all Universal Credit claimants in the policy from April 2019 means that more people will be affected than originally thought. Parliamentary questions have probed how many Universal Credit claimants are expected to be affected by LHA rates:

John Healey: To ask the Secretary of State for Work and Pensions, pursuant to the Answer of 5 December 2016 to Question 55413, on local housing allowance, what information his Department holds on the number of universal credit claimants who

²³ Actual entitlement will vary depending on the individual's financial circumstances.

²⁴ *Independent*, "[Poorest pensioners to lose hundreds of pounds a year in new 'bedroom tax'](#)", 30 September 2016

²⁵ Now delayed until 2019.

²⁶ [Housing Benefit: Social Rented Housing: Written question 47435](#), 17 October 2016

will be affected by proposed changes to local housing allowance (a) in each region and (b) aged under 35.

Caroline Nokes: The information requested is not available.

A full impact assessment will be undertaken in due course.²⁷

The NHF responded to the announcement that Universal Credit claimants would be affected from 2019:

These changes will impact more people than announced previously, although it will start one year later in 2019. We are primarily concerned with those under 35 on the lower Shared Accommodation Rate of Local Housing Allowance. We will be talking to Government about safeguards for vulnerable people on this rate, for example those leaving supported housing, homeless people and pregnant women.

We will also be pressing for more protection for those who are already on Universal Credit or move onto it before 2019.

We will continue to support members through these changes and talk to the Government about the impact on tenants and housing associations' ability to provide homes.²⁸

The [roll-out of Universal Credit](#) is currently expected to be complete in March 2022.

6.3 The Shared Accommodation Rate

According to the NHF analysis, around 88% of affected claimants in social housing will be single people aged under 35. Some people will be exempt, but the researchers were unable to isolate these categories from the figures.²⁹

Inside Housing has commented:

As social landlords do not typically provide shared housing, landlords could be faced with putting tenants in homes they cannot afford, or not letting homes to younger single people on housing benefit.³⁰

A survey of 180 of the largest housing associations conducted by *Inside Housing* found that, based on 47 responses, 13% had already made changes to their allocation policies while 60% said they planned to make changes to limit access for under-35s. The sort of policy changes implemented include:

- Younger tenants to be given assured shorthold tenancies, or two-year tenancies, rather than more secure tenancy agreements.
- Blocking under-35s from renting in certain blocks of flats or certain buildings.
- Blocking under-35s from renting new build homes, as these will be rented under affordable rents set at up to 80% of market level, leaving an even larger gap between housing benefit entitlement and rent.
- Only accepting the youngest tenants, under the age of 21, if the council agrees it will pay their full rent.
- Additional affordability assessments.³¹

6.4 Scotland

Organisations in Scotland, such as the Scottish Federation of Housing Associations and the Association of Local Authority Chief Housing Officers, are arguing that the Scottish

²⁷ [Local Housing Allowance: Written question – 56166](#), 8 December 2016

²⁸ [NHF response to the delayed implementation of the LHA cap](#), 21 November 2016

²⁹ NHF, [Impact of applying Local Housing Allowance Rates to general needs social tenants](#), October 2016

³⁰ *Inside Housing*, "[General needs households would face income shortfalls](#)", 10 October 2016

³¹ *Inside Housing*, "[Under 35, on housing benefit and impossible to house?](#)", 16 June 2016

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Government should use its newly devolved welfare powers to support tenants who will be affected by the imposition of LHA caps in the social rented sector. It has been suggested that tenants under 35 could be charged the one-bed rate of LHA instead of the Shared Accommodation Rate.³²

Scotland has already used its devolved powers to amend the way the LHA rate is set in regard to certain specified categories of properties. LHA rates in Scotland can be found on the [Scottish Government's website](#).

In terms of the impact in Scotland, the Scottish Government and Chartered Institute of Housing (Scotland) published an [interim report](#) on the introduction of the LHA cap to the social rented sector and its impact on young people on 22 May 2017. The report concludes:

Using data from DWP awards and the recent supported accommodation review suggests that **around 14,000, or 65% of mainstream young social tenants might be affected**. This excludes an estimated 7,000 young people in supported accommodation for whom additional support or exemptions *may* be available.³³

The final report is expected in summer 2017.

The Association of Local Authority Chief Housing Officers in Scotland (ALACHO) has said that the imposition of LHA caps represents a threat to the Scottish Government's target of building 50,000 affordable homes by 2021. ALACHO submitted evidence to the Public Petitions Committee of the Scottish Parliament in relation to [Petition 1638](#) on the impact of the introduction of the LHA as the basis of paying housing cost in the social rented sector. The submission said:

The most immediate impact of a long-term reduction in rental income that the LHA cap will be the need to review HRA business plans to establish the impact on future investment capacity. Lower rents will, over the longer term reduce the capacity to generate the surpluses needed to support current investment ambitions including energy efficiency work and the provision of new Council housing.³⁴

The Scottish Government's [response](#) said:

The Scottish Government shares many of the concerns of landlords, tenants and campaign groups about the potential impact of these policies and would welcome further parliamentary and wider discussion of the implications of the extension of LHA to the social rented sector. At the same time, further information on the detail of implementation is required in order for the Scottish Government to be able to make a considered response to this policy and determine the best way forward.³⁵

The Scottish Parliament's Information Centre also published a [briefing](#) for the Committee.

³² *Inside Housing*, "[Reduce 'LHA cap' impact say Scottish landlords](#)," 20 July 2016

³³ Scottish Government & CIH Scotland, [The introduction of the LHA cap to the social rented sector: impact on young people in Scotland](#), May 2017

³⁴ [ALACHO Submission on PE 1638](#), 19 May 2017

³⁵ [Scottish Government Submission on PE 1638](#), 19 May 2017

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