The rent safety net: changes since 2010

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Summary

This briefing paper brings together details of the main changes to the rent safety net announced since 2010. It covers the savings achieved through changes to Housing Benefit and the Universal Credit housing costs element, as well as the impact of these policies, and the debate that surrounds them.

Welfare reform and reducing the deficit in 2010

After coming to power in 2010, the Coalition Government announced a package of welfare reforms to reduce public expenditure as part of its deficit reduction programme. Housing Benefit (HB) was targeted as an area for reform due to “ballooning” expenditure.

In 1999/20 HB accounted for expenditure of £11 billion, by 2009/10 it had reached £20 billion in cash terms and was forecast to reach £25 billion by 2015/16, representing a “further rise of 24 per cent.” The Government described the forecast as “unsustainable in any economic climate” and said the need to tackle the deficit made reform even more pressing.

The June 2010 Budget announced changes to the way Local Housing Allowance (LHA) rates are calculated for HB claimants in the private rented sector (PRS). An under-occupation deduction was announced for working-age claimants living in social rented housing with spare bedrooms (also referred to as the bedroom tax/Removal of the Spare Room Subsidy). The Coalition Government said these measures would:

...provide a fairer and more sustainable Housing Benefit scheme by taking steps to ensure that people on benefit are not living in accommodation that would be out of the reach of most people in work, creating a fairer system for low-income working families and for the taxpayer.

Further measures were announced in the October 2010 Spending Review, including the household benefit cap and the extension of the Shared Accommodation Rate (SAR) to most single HB claimants in the PRS under the age of 35. Previously the SAR applied to claimants under the age of 25, with some exceptions.

These measures were also applied in the calculation of the Universal Credit (UC) housing costs element when this was rolled out from 2013.

Early reactions

The measures were controversial, particularly the under-occupation deduction. Commentators argued claimants would face hardship and eviction
if they couldn’t meet the shortfall between the rent due and their HB entitlement. Social landlords said they didn’t have sufficient units of smaller accommodation to offer to tenants who wanted to move.

In the PRS, landlord organisations and commentators such as Shelter and Crisis argued that restricting LHA rates and extending the SAR would make it difficult for claimants to access the sector, particularly in areas of high housing demand.

**Further HB restrictions from 2015 onwards**

Following the 2015 General Election the new Conservative Government announced further reforms in the July 2015 Budget. These included freezing LHA rates from April 2016 for four years, the removal (with some exceptions) of entitlement to housing support from people aged-18-to-21 from April 2017 (later reversed), and a reduction in the household benefit cap from £26,000 to £23,000 in London and £20,000 elsewhere. The household benefit cap is not strictly a housing support measure, but it results in reduced entitlement to help with rent payments where a household has a benefit income above the threshold.

**Which measures have saved the most?**

Expenditure on housing benefits in 2021/22 is forecast to be £30.3 billion. This reflects a significant increase in claims (caseload) during the pandemic.

Of all the measures implemented to date, the requirement on social landlords to reduce rents by 1% in each year for four years from 2016 has achieved the highest level of savings. Tenants in the social rented sector are more likely to be reliant on HB/housing cost element of UC, so reducing the sector’s rents produces benefit savings.

Basing LHA rates on the 30th percentile of market rents (previously the median) and the freeze on LHA rates between 2016 and 2020, has achieved the next highest level of savings (see page 14).

Some commentators argue that savings should be viewed in the context of other impacts, such as the rise in statutory homelessness and rough sleeping, and increased insecurity for private sector tenants. Research carried out by the University of Warwick (2020) claims that for every £1 in HB saved, local authority spending on temporary accommodation has increased by 53p.

**The end of the LHA freeze and the coronavirus pandemic**

It was the Government’s intention to uprate LHA rates by 1.7% in line with the Consumer Price Index from April 2020. By this date, 946 of the 1,000 LHA rates in the UK were poised to be lower than the corresponding 30th percentile of local market rents – with an average shortfall of 9.6%.
However, in response to the pandemic, LHA rates were reset at the 30th percentile of local market rents over 2020/21. This was widely welcomed, with some caveats. For example, the housing charity Shelter and others pointed out that covering only the 30th percentile of market rents left a majority of those potentially facing a drop in income due to the pandemic with a shortfall in assistance.

Concern about accrued rent arrears during the pandemic has led to more focus on the rent safety net. Commentators working across the sector have long criticised austerity measures which have affected renters’ safety net. They argue that limiting help with rent payments contributes to increased levels of homelessness and to concentrations of households in poor quality, overcrowded housing.

There have been calls during the pandemic for at least a temporary increase in LHA rates to cover median rents and for the national cap on LHA rates to be lifted so high cost areas are not penalised. To date, the Government has resisted, telling the Housing, Communities and Local Government Select Committee they will continue to monitor the effectiveness of the financial support package for tenants.

Alongside the November 2020 Spending Review, the Secretary of State for Work and Pensions announced that in 2021/22 LHA rates would again be frozen in cash terms.

A coalition of stakeholders across the public and private sector issued a series of press notices during the pandemic. On 18 February 2021, ahead of the Budget, they called for, amongst other things, “a welfare system that provides renters with the security of knowing that they can afford their homes.”
1 Housing benefits: overview

1.1 Housing Benefit and Local Housing Allowance

Housing Benefit (HB) is a means tested benefit administered by local authorities. The HB scheme was introduced in April 1988 following the passage of the Social Security Act 1986 along with Income Support and Family Credit. Broadly, the HB scheme applies to social sector tenants and to private sector tenants who were in receipt of HB on 7 April 2008 and who have not changed their accommodation or had a break in their claim since that date. Local Housing Allowance (LHA) was introduced in April 2008 for private tenants whose claims began after that date.

1.2 Universal Credit

Universal Credit (UC) was launched in 2013 and is replacing the legacy Housing Benefit system for working-age claimants. Unlike the legacy system, UC is administered by the DWP, not local authorities. The Government currently says roll-out of UC is expected to be complete towards the end of 2024. Universal Credit claimants may receive a housing cost element towards their rent payments – many of the rules mirror those in the HB scheme but there are some differences.1

1.3 Caseload statistics

As of February 2021, there were around 5.8 million households in Great Britain claiming support for housing costs through either the legacy Housing Benefit system or UC. Within the legacy system 31% are local authority tenants, 45% are tenants of registered social landlords (housing associations) and 24% are private sector tenants. Claimants of housing cost support through UC are split 46%/54% between the social and private rental sectors respectively.

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1 See Library paper CBP06547 Housing costs in Universal Credit
The lowest number of HB claimants, under current arrangements, was 3.8 million in 2002/03, rising to a peak of 5.1 million claimants in 2012/13. The coronavirus crisis in 2020/21 resulted in a significant increase in UC claims and a new peak of 5.6 million households claiming housing benefits by mid-2020/21. Local authority tenants have declined as a share of the caseload since the mid-90s while housing association tenants and private tenants have increased.

### 1.4 Calculating entitlement to HB

The structure of the HB scheme is closely linked to that of the Income Support scheme. The basic level of personal allowances for the two schemes (and that of Jobseeker’s Allowance) are the same (with some exceptions); these allowances vary depending on the age and composition of the household concerned.

Entitlement to HB is calculated by comparing the needs and resources of the household, taking their liability for rent payments into account. In calculating household net incomes, the HB scheme provides for the disregard of some types of income (or a proportion of that income). Households in receipt of Income Support or income-based Jobseeker’s Allowance, or who have an assessed net income at or below the Income Support threshold generally

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2 Income support is also a ‘legacy benefit’ which is gradually being replaced by UC. Most people cannot make a new claim for Income Support.
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receive maximum assistance. This may be equal to 100% of their eligible rent, less any deductions for non-dependants living in the household or in respect of any spare bedrooms if the claimant is of working-age.

Average weekly HB payment was, across Great Britain in February 2021, £108.76, or £131.19 for private rented tenants and £101.46 for social rented tenants. London has the highest average weekly HB awards (£229.31 for private tenants, £137.93 for social tenants) of any area of Great Britain. Wales has the lowest average weekly award for private tenants (£87.85), while Yorkshire and the Humber has the lowest average weekly award for social tenants (£82.81).

1.5 Calculating entitlement to the housing cost element of UC

Detailed provisions setting out how housing costs are calculated under UC are contained in Regulations 25 and 26 together with Schedules 1-5 of the Universal Credit Regulations 2013.

Briefly, where a claimant is liable to pay rent, their level of assistance is calculated with reference to their household size and circumstances, in addition to the actual rent level charged. The White Paper, Universal Credit: welfare that works, said:

An appropriate amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit.

[...]

Our aim is to simplify provision for rent support in Universal Credit as much as possible, while protecting potentially vulnerable people from unintended consequences, such as getting into arrears or being made homeless.

The DWP published Universal Credit and rented housing: guide for landlords (updated May 2020) and brought information for landlords together on a website: Universal Credit and landlords.

The calculation of entitlement is similar to the HB system with some significant differences. The default position is that UC is paid direct to claimants as a single monthly sum. Claimants are responsible for paying the housing cost element to their landlords. This involves a behavioural change

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3 DWP Stat Xplore  
4 DWP, Universal Credit: welfare that works, CM 7957, November 2010, paras 28-30  
5 Accessed on 1 June 2021
for most tenants of social landlords. Alternative Payment Arrangements and budgeting assistance may be available in certain circumstances where claimants struggle to adapt. In addition, the minimum wait before first payment of UC is either 5 or 6 weeks from the point the person’s UC claim begins (the assessment period).

Changes to HB entitlement introduced prior to the implementation of UC, such as national caps on LHA entitlement, calculating LHA based on the 30th percentile of market rents, size criteria in social rented housing and the household benefit cap, were carried over and apply to the housing costs element of UC.

For other differences see the Library paper CBP06547 Housing costs in Universal Credit.

1.6 Limiting entitlement and expenditure on housing benefits

Housing Benefit “will take the strain”

Provisions have been in place since the inception of the HB scheme to limit entitlement amongst claimants in private rented housing. For example, where they are living in accommodation that is deemed to be too large for their needs, or if their rent level is above the Local Reference Rent for the area in which they live.6 These restrictions were introduced in recognition of the fact that deregulation of private sector rents by the Housing Act 1988 7 was likely to exert upward pressure on HB expenditure. At that time, the Minister for Housing, Sir George Young, responded to concerns about the impact of rising rent levels with reassurances that Housing Benefit “would take the strain”:

Mr. Soley: Tenants of housing associations, councils and the private sector face a disgraceful position. Did not rents in the housing association sector go up by about 25 per cent. the other year? Is not it also true that council rents will go up dramatically in the next couple of weeks and that private sector rents are out of the reach of many people? In those three examples housing benefit does not meet the needs of many people, particularly pensioners with small occupational pensions. What will the Government do about rents that are increasingly unaffordable in a rented sector has suffered a collapse, with the loss of 1.5 million properties in the past 10 years? There must be an answer that produces affordable rents in affordable properties.

Sir George Young: I do not accept the premise on which the hon. Gentleman based his question. Housing benefit will underpin market

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6 Size restrictions for private sector claimants have been in place since 1989.
7 Applicable to new private sector tenancies created after 15 January 1989.
rents— we have made that absolutely clear. If people cannot afford to pay that market rent, housing benefit will take the strain.8

Local Housing Allowance (LHA) was introduced on 7 April 2008 for new claimants living in the deregulated private rented sector. In addition to applying only to claimants in private rented accommodation, the LHA has two other key features:

1. it is a flat rate allowance for different sizes of properties within a Broad Rental Market Area (BRMA);9 and
2. as a rule, it is payable direct to claimants and not their landlords.

Expenditure

Expenditure on housing benefits in 2021/22 is forecast to be £30.3 billion. Expenditure on local authority tenants will comprise 25% of HB expenditure, expenditure on housing association tenants 38% and expenditure on private tenants 37%.

Notes

Data is forecast from 2020/21 onwards
Universal Credit data is not broken down by tenure
Universal Credit housing costs data is missing from 2013-14 to 2018/19 inclusive, so the decline in expenditure during this period is exaggerated
Rent Allowances provided support for private tenants and those in registered social properties

Source: DWP Benefit Expenditure and Caseload Tables 2021 Spring Budget edition

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8 HC Deb 30 January 1991 cc939–40
9 An individual’s actual entitlement will depend on a number of factors, including their income and capital.
Savings on housing benefits since 2010

The 2010 Coalition Government introduced several measures aimed at reducing Housing Benefit expenditure as part of a wider package of welfare reform and deficit reduction activities. Subsequent Conservative Governments announced additional measures to bear down on HB expenditure, although not all were implemented. The 2015 Spending Review and Autumn Statement noted:

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.

Fiscal savings from changes to housing benefits since 2010

<table>
<thead>
<tr>
<th>£ million (nominal terms) - positive amounts are Exchequer savings</th>
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<tbody>
<tr>
<td>Benefit cap</td>
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<tr>
<td>Reduce social sector rents</td>
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<tr>
<td>Social sector under-occupation penalty</td>
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<tr>
<td>LHA rates</td>
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<tr>
<td>Other changes</td>
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<tr>
<td>LHA Covid-19 increase</td>
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<tr>
<td>DHP</td>
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<td>Total</td>
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Notes:
LHA rates include measures affecting LHA rate-setting other than shared accommodation rate measures (see Other changes) and LHA Covid-19 increase (separate category)
Other changes include increased age limit for LHA shared accommodation rate from 25 to 35
DHP: Discretionary Housing Payment

10 It was decided not to apply LHA rates to claimants in social rented housing and a mandatory ‘pay to stay’ scheme, under which social housing tenants with an income of £31,000 outside of London and £40,000 in Greater London would have paid a higher rent, were not implemented. Some housing associations charge higher rents where tenants have a higher income on a discretionary basis.

11 HM Treasury, Spending review and autumn statement 2015, 25 November 2015, Cm 9162, para 1.125
Research conducted by the University of Warwick (published in 2019 and revised in 2020) argues that while HB cuts have delivered a direct fiscal benefit to government, “the savings mask significant indirect financial costs and longer-term social costs.”\textsuperscript{12} For example, the authors draw links between increased expenditure by local authorities on homelessness, particularly temporary accommodation, over the period:

We estimate that, on average, for each pound of implied fiscal savings accruing to the central government due to the cuts, local government expenditures on homeless prevention increased by 53 pence.\textsuperscript{13}

A review of the 2019 paper by Policy and Practice, a social policy analytics company, described the evidence cited by Warwick University to be “strong, but not conclusive”.\textsuperscript{14}

The following sections provide information on the main Housing Benefit changes announced and implemented since 2010.

\textsuperscript{12} Housing insecurity, homelessness, and populism: Evidence from the UK by Thiemo Fetzer, Srinjoy Sen and Pedro CL Souza (University of Warwick, December 2019, revised 2020)

\textsuperscript{13} Ibid., p4

\textsuperscript{14} Ghelani D, Policy in Practice, Ten years of benefit cuts: worth the price?, 9 December 2019
2 June 2010 Budget

The June 2010 Budget announced several measures aimed at reducing Housing Benefit expenditure. The package of reforms had an aim of saving £1,765 million by 2014/15 (7% of total expenditure).  

2.1 Local Housing Allowance

Basing LHA rates on the 30th percentile of market rents

The Budget announced a change to the basis on which LHA rates would be set from the median to the 30th percentile of market rents within a Broad Rental Market Area (BRMA). Officers within the Valuation Office Agency are responsible for determining BRMAs.

This measure was introduced in April 2011. It was originally due to be introduced from October 2011 but was brought forward to reduce complexities around introducing changes in both April and October.

The June 2010 Budget forecast that basing LHA rates on the 30th percentile of local rents would save £425 million in 2014/15.

National caps for LHA rates

From April 2011 LHA rates became subject to national caps of:

- £250 per week for a 1 bedroom property (or room in a shared home);
- £290 per week for a 2 bedroom property;
- £340 per week for a 3 bedroom property; and
- £400 per week for all properties with 4 bedrooms or more.

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15 The expected savings were subsequently reduced as a proposal to reduce Housing Benefit entitlement by 10% for JSA claimants who had been unemployed for over 12 months was dropped and some limited exemptions from certain measures were introduced.
16 Housing Benefit (Amendment) Regulations 2010 (SI 2010/2835) and the Rent Officers (Housing Benefit Functions) Amendment Order 2010 (SI 2010/2836)
17 HM Treasury, Budget June 2021, 22 June 2010, HC 61, p40
18 Ibid.
These caps were subsequently uprated. The five-room LHA rate was abolished. Larger families in properties with more than 4 bedrooms may face a restriction on their LHA entitlement.

**Caps on LHA uprating**

The Coalition Government announced an intention to up-rate LHA rates annually by the Consumer Price Index (CPI) from April 2013. Measures were included in the Welfare Reform Act 2012 to allow for this.19

During the Social Security Uprating Statement on 6 December 2011, then-Minister, Steve Webb, announced that LHA rates would be frozen from April 2012 in preparation for the move to annual uprating:

> On local housing allowance, at the emergency Budget in June 2010, the Government announced that from 2013, local housing allowance rates will be calculated annually by using the lower of the rent at the 30th percentile of local rents or the previous year’s rate uprated by reference to CPI. This will end the monthly uprating of LHA rates and bring the system into line with the uprating of other pensions and benefits.

> As part of the preparation for this change, we need to fix LHA rates, to establish a baseline from which they will be uprated in future. As the new cycle for uprating LHA will be annual, we have decided that the baseline should be one year ahead of the first uprating event. Therefore, LHA rates will be fixed from April 2012. This approach means that there will be no reductions in ongoing awards as a result of this change.20

The Government had intended LHA rates would be set annually on a common date from April 2013, and that increases would be restricted to the maximum of any change in the CPI. During the Autumn Statement 2012 the then-Chancellor announced increases in LHA rates would be capped at a maximum of 1% in 2014 and 2015 except for those areas with the highest rent increases. The forecast saving in 2017/18 from this policy was £260 million.21

**The end of ‘keeping the difference’**

The Coalition Government implemented (in April 2011) the Labour Government’s plan to remove a provision that had allowed LHA claimants to keep up to £15 of the difference between the LHA rate and their actual rent level.

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19  Section 69 of The Welfare Reform Act 2012  
20  HC Deb 6 December 2011 c164  
21  HM Treasury, Autumn Statement 2012, 5 December 2012, Cm 8480, p56
Issues and concerns

As a result of a recommendation from the Work and Pension Select Committee as part of its inquiry into Changes to Housing Benefit announced in the June 2010 Budget, the Government agreed to commission independent external research into the impact of the Housing Benefit reforms announced in 2010. The findings from this research, led by Ian Cole, professor of housing studies at Sheffield Hallam University, were published in 2014.22 The research found:

- the LHA reforms had reduced existing claimants’ maximum entitlements;
- there was a 9% growth in the overall private rented sector HB caseload from January/March 2011 to June/August 2013. However, caseload declined by 14% in London Centre, possibly indicating the lack of availability of private rented housing within the LHA caps;
- reductions in day-to-day spending to make up shortfalls on rent were more common than housing-related responses; and
- the number of landlords saying they would let to out-of-work benefit claimants fell, particularly in Inner London.23

The Residential Landlords Association (RLA)24 described the CPI measure as “one of the most detrimental of all these proposals”25 while the British Property Federation said it was the “most severe aspect” of the Housing Benefit reforms.26

Richard Lambert, chief executive of the National Landlords Association, reportedly said that the 1% cap “could render private accommodation unaffordable for many tenants in receipt of housing benefit and will deter landlords from investing in much needed housing for those receiving support.”27

A freeze on the uprating of LHA rates was announced in the July 2015 Budget. This is covered in section 4.1 of this paper.

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22 DWP, Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit, 15 July 2014
23 Ibid.
24 Now merged with the National Landlords Association and renamed the National Residential Landlord Association (NRLA).
25 Work and Pensions Committee, Changes to Housing Benefit announced in the June 2010 Budget, 22 December 2010, HC 469, Ev 102, para 125
26 Ibid., Ev 41
27 Inside Housing, “Benefit cuts raise homelessness fears”, 7 December 2012 [subscription required]
2.2 Non-dependant deductions

The Government announced that non-dependant deductions would be increased to the level at which they would have been had they not been frozen since 2001/02. This impacted on claimants with non-dependants living with them in both the social and private rented sectors.

A non-dependant is someone who normally lives with the Housing Benefit claimant such as an adult son, daughter, relative or friend.\(^{28}\) The pre-April 2011 rates of non-dependant deductions were:

Non-dependant aged 18 or over and in remunerative work:

- gross income less than £120.00 = £7.40
- gross income £120 - £177.99 = £17.00
- gross income £178 - £230.99 = £23.35
- gross income £231 - £305.99 = £38.20
- gross income £306 - £381.99 = £43.50
- gross income greater than £382 = £47.75
- Aged 25 or over and on Income Support, Job Seekers Allowance or Employment Support Allowance (IR), or aged 18 or over and not in remunerative work = £7.40
- In receipt of Pension Credit or not in receipt of main phase ESA(IR) rate = Nil

Non-dependant deductions are taken from the claimant’s entitlement to Housing Benefit irrespective of whether the non-dependant makes an equivalent payment to the claimant.

Under Universal Credit, a flat-rate Housing Cost Contribution (HCC) of £75.53 per month is deducted from a claimant’s entitlement.\(^{29}\) All under-21s are exempt from the HCC. There are other exemptions, as there are under Housing Benefit.

The 2010 Budget forecast that reversing the previous freeze and maintaining the link with prices would save £340 million in 2014/15.\(^{30}\)

\(^{28}\) There are certain circumstances in which a non-dependant deduction is not made.

\(^{29}\) This is the rate at April 2021.

\(^{30}\) HM Treasury, Budget June 2010, 22 June 2010, HC 61, p40
2.3 Deductions for under-occupation in social rented housing

The June 2010 Budget announced that Housing Benefit for social housing tenants of working-age occupying a larger property than their family size warrants would face deductions from 1 April 2013. Deductions from Housing Benefit for under-occupying tenants in private rented housing have been in place since 1989.

Since April 2013 affected social housing tenants with one spare bedroom have experienced a deduction in eligible rent for Housing Benefit purposes of 14% per week, while those with two or more spare bedrooms experience a deduction of 25%.

The aims of this measure are described in the following terms:

> The Removal of the Spare Room Subsidy (RSRS), introduced in 2013, encourages mobility within the social rented sector, strengthens work-incentives and makes better use of available social housing, while providing fairness to taxpayers on expenditure on Housing Benefit.\(^\text{32}\)

The 2010 Budget forecast that the under-occupation deduction would save £490 million in 2014/15.\(^\text{33}\)

The English Housing Survey (EHS) provides an indication of the extent to which property is under-occupied in England, although the definition used by the EHS is slightly different from the one used in determining Housing Benefit entitlement.\(^\text{34}\)

\(^{31}\) There is a Library briefing paper on this measure: CBP06272 Under-occupation of social housing – Housing Benefit entitlement.

\(^{32}\) PQ 11667 [Social Rented Housing: Housing Benefit], 12 February 2020

\(^{33}\) HM Treasury, Budget June 2010, 22 June 2010, HC 61, p40

\(^{34}\) While both measures expect children aged 10 or over to share a room if they are the same gender, they differ on the age at which someone is considered an adult. The EHS also does not account for any of the exemptions made in determining Housing Benefit allocation (e.g. allowing room for an overnight carer).
There is little evidence of significant numbers of moves taking place within the social rented sector in response to the under-occupation deduction over the long-term.

The Ministry of Housing, Communities and Local Government (MHCLG) collects data on new social lettings made in each year which includes tenants’ reasons for moving to a new property. The release for 2013/14 noted an increase the number of households citing under-occupation as a reason for moving:

> The proportion of households whose main reason for moving was because they previously underoccupied a property increased across all general needs housing, from 4% to 7% for social rent and from 3% to 5% for affordable rent; which may have been in part due to the removal of the spare room subsidy, brought in from April 2013.\(^{35}\)

By 2014/15 the proportion of households who said their main reason for moving was due to under-occupation fell from 7% to 5% for social rent and from 5% to 3% for general needs affordable rent in the housing association sector. The data release noted a return to the longer term trend “with the peak in 2013/14 possibly due to the removal of the spare room subsidy from April 2013.”\(^{36}\)

On 12 February 2020, the Minister, Will Quince, said the measure had saved £2 billion between 2013/14 and 2019/20. This figure does not include Universal Credit claimants affected by an under-occupation deduction.\(^{37}\)

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37 PQ 11667 [Social Rented Housing: Housing Benefit] 12 February 2020
Although the measure attracted adverse publicity at the time of its introduction, the savings generated have remained relatively low compared with those raised via the freeze on LHA rates and reducing social housing rents. Since April 2013 several successful legal challenges have extended the number of households who are exempt from an under-occupation deduction.

More information can be found in Library Briefing Paper 06272: Under-occupying social housing: Housing Benefit entitlement and 06896: Impact of the under-occupation deduction from Housing Benefit (social rented housing).

2.4 Amendments to the size criteria applied to private rented housing

This was not a cost saving measure. The Government said it would amend the size criteria applicable to claimants living in the private rented sector to allow an additional bedroom for disabled claimants with a non-resident carer from April 2011. This change was made by the Housing Benefit Amendment Regulations 2010 and the Rent Officers (Housing Benefit Functions) Amendment Order 2010.
3 October 2010 Spending Review

As part of the October 2010 Spending Review two further Housing Benefit measures were announced. These were aimed at ensuring “Housing Benefit rules reflect the housing expectations of people of a similar age not on benefits” and “ensuring that no family can receive more in welfare than median after tax earnings for working households.”

3.1 Shared Accommodation Rate – extended age range

The Shared Accommodation Rate was introduced in 1996 “to ensure that Housing Benefit does not encourage young people to leave the parental home unnecessarily or to take on higher priced accommodation at the taxpayers’ expense than they could afford from their own earnings.”

The SAR limited the amount of HB a single claimant or couple aged 25 or under could receive to the average Local Reference Rent (for pre-April 2008 claimants in private rented housing) or the LHA (for post-April 2008 claimants) for a room in a shared house or flat. Some categories of claimant are exempt from the SAR.

The October Spending Review announced the age at which the SAR applies would be increased from 25 to 35 from January 2012. This was forecast to save £215 million in 2014/15.

The Housing Benefit (Amendment) Regulations 2011 (SI 2011/1736) extended the SAR so that since 1 January 2012 it has applied to single claimants and couples with no children in private rented housing who are aged 35 or under. The SAR has applied to new claimants in the extended age group since January 2012 and to existing claimants on their first review after January 2012. The SAR also applies to UC claimants.

Government-sponsored research into the impact of the Housing Benefit changes announced in 2010, led by Ian Cole, professor of housing studies at Sheffield Hallam University, found a significant decrease in HB caseloads for those in the 25-34 age group in London Centre, London Cosmopolitan areas

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38 Treasury, Spending Review 2010, October 2010, Cm 7942, p68
39 Department of Social Security Press Notice, 96/09, 2 April 1996
40 HM Treasury, Spending Review 2010, 20 October 2010, Cm 7942, p12
41 For additional information see Library briefing paper, Housing Benefit: Shared Accommodation Rate, 05889
and London Suburbs in 2012 and 2013. The researchers reported an increase in landlords in inner London saying they would no longer let to the under-35s.

The SAR has been identified by organisations working with rough sleepers as a significant contributory factor in preventing single people under the age of 35 from accessing suitable private rented housing. For example, The homeless monitor: England 2019, an annual state-of-the-nation report commissioned by Crisis, referred to the impact of welfare reform on homelessness:

> The safety net once provided by Housing Benefit, whereby post housing incomes were protected from erosion below basic benefit levels, has now effectively ended for the bulk of private tenants in receipt of benefit across the country, with young people under 35 particularly badly affected by reduced Local Housing Allowance rates and the working age benefit freeze.

On 11 March 2020, Budget 2020 announced the SAR exemptions would be extended to cover:

- Rough sleepers aged 16-24;
- Care leavers up to age 25; and
- Victims of domestic abuse and human trafficking.

Reacting to an announcement on bringing implementation forward from October 2023 to June 2021, Homeless Link said:

> The latest figures show that 9% of rough sleepers in London are under 25 years old and our Young and Homeless research highlighted how the SAR prevented young people moving on from homelessness. This announcement is a helpful step in the right direction.

42 Beatty C, Cole I, Powell R; Kemp P, Brewer M, Emmerson C, Hood A, Joyce R: Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit, 2014

43 Ibid.


45 HM Treasury, Budget 2020, 12 March 2020, HC 121, para 1.190. The initial intention was to bring in the new exemptions in October 2023. The March 2021 Budget (para 2.28) announced this would be brought forward to June 2021.

46 The Housing Benefit and Universal Credit (Care Leavers and Homeless) (Amendment) Regulations 2021 (SI 2021/546) came into force on 31 May 2021

47 Homeless Link, Some short-term wins, but Budget fails to address root causes or offer meaningful route to ending homelessness, 5 March 2021
3.2 Capping household benefits

The Government said it would cap household benefits at £500 per week for a family (£350 for single person) from 2013. In the event, the measure was phased in and has applied nationwide since September 2013.48 The cap effectively ended the link between a household’s assessed need and its entitlement to benefit. Section 4.6 of this paper provides information on reductions in the cap threshold which have applied since 7 November 2016.

When it was announced, the cap was forecast to save £270 million in 2014/15.49

The cap is calculated by adding together all the included benefits that an individual, their partner, and any children they are responsible for and who live with them, are entitled to. The calculation does not include the benefits of non-dependants.50

Certain benefits are included when calculating whether the cap applies while other benefits and payments are disregarded.51

Claimants in receipt of certain benefits and payments are exempt from the cap:

- **Entitlement to Working Tax Credit:** In order to increase the incentive to find a job or increase hours worked, all benefit households which are entitled to Working Tax Credit (WTC) will be excluded from the cap. This includes households who are working sufficient hours to qualify for WTC but whose earnings are so great that they have been awarded a “nil entitlement.”

- **Receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme) or the Support Component of Employment and Support Allowance:** This is in recognition of the additional financial costs that can arise from disability and that disabled people will have less scope to alter their spending patterns or reduce their housing costs.

- **War Widows and Widowers:** An exemption will apply to any war widow or widower who is in receipt of a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Pension Scheme or the Armed Forces Compensation Scheme.

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48 DWP Press Release, Benefit cap successfully in place nationwide, 27 September 2013

49 HM Treasury, Spending Review 2010, 20 October 2010, Cm 7942, p12

50 A non-dependant is someone who normally lives with the benefit claimant such as an adult son, daughter, relative or friend

51 Benefit cap - GOV.UK (www.gov.uk) [accessed on 2 June 2021]
Forces Compensation Scheme or analogous schemes. This supports the aim of the Armed Forces Covenant to recognise sacrifice of those seriously injured or killed in the service of their country.  

Households receiving Carer’s Allowance, the carer element of Universal Credit or Guardian’s Allowance have been exempt from the benefit cap since 7 November 2016.

A nine-month “grace period” operates during which the cap does not apply to claimants who have been in work for the previous 12 months and who lose their job through no fault of their own.

The benefit cap is not, strictly speaking, a Housing Benefit measure. However, in the first instance it is being administered by local authorities and operates by reducing the claimant’s Housing Benefit entitlement where the total amount of benefit entitlement (excluding certain specified benefits) exceeds the cap threshold(s).

Once households have been transferred to Universal Credit, the cap applies to their combined income from Universal Credit and benefits.

Provisions to enable implementation of the cap were included in the Welfare Reform Act 2012. The Housing Benefit (Benefit Cap) Regulations 2012 came into force on 15 April 2013.

Research indicates that the benefit cap disproportionately affects larger households, lone parent families and those living in areas with high housing costs:

In February 2020, near the start of the COVID-19 outbreak, 79,499 households had their benefits capped, of which 72 per cent were lone-parent families. By May this had almost doubled to 153,659, although the proportion of lone parents fell to 62 per cent. This is due to the increase in the UC standard allowance and LHA rates tipping households over the threshold, and due to the influx of new claims.

Detailed information and comment on the operation of the cap can be found in Library Briefing Paper 06294, The Benefit Cap. Also see section 4.6 of this paper.

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52 DWP, Explanatory Memorandum for the Social Security Advisory Committee, June 2012, para 9
July 2015 Budget

During the July 2015 Budget the then-Chancellor announced additional measures to reduce Housing Benefit expenditure. These measures formed part of the Chancellor’s programme to reduce welfare spending by £12 billion by 2019-20.

4.1 Freezing working age benefit rates

The Government announced that most working-age benefits would be frozen for 4 years from 2016, including applicable amounts for Housing Benefit and Local Housing Allowance rates, with some separate provision for high rent areas:

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. \(^{54}\)

Measures to allow for the suspension of annual uprating were included in the Welfare Reform and Work Act 2016.

The Summer Budget 2015 forecast that freezing working-age benefits would save £4.01 billion by 2020/21. \(^{55}\)

The Rent Officers (Housing Benefit and Universal Credit Functions) (Local Housing Allowance Amendments) Order 2015 (SI 2015/1753) provided that LHA rates would remain at their April 2015 levels (or be set at the 30th percentile point for local market rents, if lower).

The intention was that around 30% of the potential annual savings from this measure would be used for Targeted Affordability Funding to support areas where higher rent increases resulted in a shortage of affordable accommodation.

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\(^{54}\) HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, paras 1.137

\(^{55}\) HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, p73
Cumulative estimated cash savings to the Government and tax-payers from this measure were around £655 million for Great Britain over the four year period.\(^{56}\)

As with the imposition of national caps and basing LHA rates on the lowest 30% of market rents (by bedroom size),\(^{57}\) there were concerns that LHA rates would become increasingly divorced from actual rent levels, thus making it harder for tenants to access private rented housing. Research conducted and published by the Chartered Institute of Housing (May 2016) found that since 2012 in some areas of the UK prospective tenants were only able to afford to rent in the bottom 5 or 10% of the PRS.\(^{58}\)

**The impact of freezing LHA rates**

Over the period of the freeze up to April 2020, the gap between average LHA rates and 30th percentile rents grew on average across Great Britain. In the first year of the freeze the average gap between the LHA and the 30th percentile rent across all rates was around 7% of the 30th percentile rent, or £9.70 per week. By 2019/20, this was over 11%, or £17.16 per week. This gap grew for all LHA rates, regardless of how many bedrooms claimants were entitled to support for.

\[\text{Note: This is a simple average of differences between LHA rate and 30th percentile across all BRMAs and LHA rates, including those with no gap.}\]

\[\text{Sources: LHA rates in England, Scotland, Wales: VOA and devolved administrations}\]

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\(^{56}\) Ibid.

\(^{57}\) See section 2.1 of this paper.

\(^{58}\) Chartered Institute of Housing (CIH), *Mind the gap: the growing shortfall between private rents and help with housing costs*, May 2016
Change over the period was not even across nations and regions. London, which had the largest proportional gap between 30th percentile rents and LHA rates in 2016/17 benefitted relatively frequently from Targeted Affordability Funding and did not see any proportional increase in its gap. Increases across other regions and nations ranged between 4% and 7%.

<table>
<thead>
<tr>
<th>Region</th>
<th>2016/17</th>
<th>2019/20</th>
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<tbody>
<tr>
<td></td>
<td>Average weekly</td>
<td>Gap as % of 30th percentile rent</td>
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<td></td>
<td>Local Housing Allowance</td>
<td>30th percentile rent</td>
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<td>London</td>
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<td>£ 176.96 £ 165.97</td>
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<td>West Midlands</td>
<td>£ 123.76 £ 118.33</td>
<td>4%</td>
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<tr>
<td>South West</td>
<td>£ 139.10 £ 133.19</td>
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<tr>
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<tr>
<td>Great Britain</td>
<td>£ 142.24 £ 132.54</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note

30th percentile rent and LHA rates for GB regions and nations are LHA are simple averages across all BRMAs and LHA rates.

The gap is a simple average of differences between LHA rate and 30th percentile across all BRMAs and LHA rates, including those with no gap.

Sources: LHA rates in England, Scotland, Wales: VOA and devolved administrations

Additional comment on the impact of the LHA freeze can be found in section 6 of this paper.

### 4.2 Limiting support to two children

The then-Chancellor said, “those in receipt of tax credits should face the same financial choices about having children as those supporting themselves solely through work.” He went on to announce that support provided to families through tax credits would be limited to 2 children:

…so that any subsequent children born after April 2017 will not be eligible for further support. An equivalent change will be made in Housing Benefit to ensure consistency between both benefits. This will also apply in Universal Credit to families who make a new claim from April 2017.
In addition, those starting a family after April 2017 will no longer be eligible for the Family Element in tax credits. The equivalent in Universal Credit, known as the first child premium, will also not be available for new claims after April 2017. In Housing Benefit, the family premium will be withdrawn for new claims from April 2016, to ensure fairness between those who receive Housing Benefit and those who do not.\(^5\)

The Summer Budget 2015 forecast that the two-child limit would save £1.365 billion by 2020/21.\(^6\)

The Housing Benefit (Abolition of the Family Premium and limiting backdating) (Amendment) Regulations 2015 (SI 2015/1857) abolished the family premium for all new Housing Benefit entitlements after 30 April 2016 and for those who cease to have responsibility for any children or young people after 30 April 2016.

### 4.3 Limiting backdating of HB claims

Claimants who could establish good cause for a late Housing Benefit claim could apply to have their claim backdated for up to six months. The Chancellor announced that, from April 2016, Housing Benefit claims would be backdated for a maximum of 4 weeks.\(^6\) In addition to achieving savings, this change was proposed to “bring forward aspects of Universal Credit into Housing Benefit to provide some alignment between the two benefits as claimants start to transition from Housing Benefit on to Universal Credit.”\(^6\)

The Housing Benefit (Abolition of the Family Premium and limiting backdating) (Amendment) Regulations 2015 (SI 2015/1857) implemented the reduced backdating period for new working-age claims after 30 April 2016.

The backdating period for persons who have newly attained the qualifying age for state pension credit remained at three months.

### 4.4 Severe disability premium (SDP)

The Universal Credit and Miscellaneous Amendments Regulations 2015 (SI 2015/1754) amended the Housing Benefit Regulations 2006 and the Housing Benefit (persons who have attained the qualifying age for state pension credit) Regulations 2006 so that, if a Universal Credit carer element is

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5\^\(\) HM Treasury, *Summer Budget 2015*, 8 July 2015, HC 246, paras 1.146-7
6\(^\) HM Treasury, *Summer Budget 2015*, 8 July 2015, HC 246, p73
6\(^1\) HM Treasury, *Summer Budget 2015*, 8 July 2015, HC 246, para 2.110
6\(^2\) Social Security Advisory Committee report on the Housing Benefit (Abolition of the Family Premium and date of Claim) (Amendment) Regulations 2015, November 2015
awarded to a Universal Credit claimant who is caring for an HB claimant, that person may not receive an SDP.  

4.5 Restricting HB claims for young people

The Chancellor announced new restrictions on claimants aged 18 to 21:

Restricting Housing Benefit entitlement for young people – From April 2017, those out of work aged 18 to 21 making new claims to Universal Credit will no longer be automatically entitled to the housing element. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding 6 months will be exempt from this measure.  

Regulations to introduce this change came into force on 1 April 2017, but on 29 March 2018 the Government issued a Written Statement announcing the regulations would be amended “so that all 18-21 year olds will be entitled to claim support for housing costs in UC.” The rationale for the change made reference to ensuring access to housing:

This decision ensures that there are no unintended barriers to young people accessing housing on the basis of their age alone and getting into work, and is in line with the Government’s launch of the Homelessness Reduction Act and our commitment to eradicating rough sleeping by 2027.  

The amended Regulations came into force on 31 December 2018.

Had it been in force by 2020/21, the Treasury expected this measure to save £40 million.

The then-Shadow Secretary for Housing, Rt Hon John Healey, asked about the cost of preparing for the “now aborted” removal of entitlement from 18-21-year-olds. Kit Malthouse responded:

The preparation costs associated with the removal of the automatic eligibility of 18 to 21-year-olds to claim universal credit for housing costs are estimated to be £3 million.

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63 HB Circular A3/2016
64 HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, July 2015, para 2.111
65 HCWS611, 29 March 2018
66 Ibid.
67 HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, p73
68 PQ 135739 [Housing Benefit: Young People], 18 April 2018.
There is more information in Library Briefing Paper 06473: Housing Benefit: withdrawing entitlement from 18-21 year olds.

4.6 Lowering the household benefit cap

Section 3.2 of this paper provides background on the introduction of the benefit cap. The Chancellor announced an intention to reduce the cap and vary the threshold between Greater London and elsewhere:

Lowering the household benefit cap – The government will lower the household benefit cap, which caps the amount of benefits out-of-work working age families can receive, to £20,000, except in Greater London where the cap will be £23,000. The current exemptions to the cap will continue to apply. 69

The Summer Budget 2015 forecast that lowering the household benefit cap would save £495 million in 2020/21. 70

Measures to achieve this were included in the Welfare Reform and Work Act 2016. More detail can be found in Library Briefing Paper 06294: The Benefit Cap.

Households affected by benefit cap reductions started to have their claims reassessed over a 12-week period starting from 7 November 2016.

Inside Housing observed that the “explosion” in claims for Universal Credit during the pandemic has coincided with an increase in the number of claimants affected by the benefit cap:

In February 2020, 46,850 households claiming Universal Credit had the benefit cap imposed. By August, this figure was 142,350. By November, 170,000 households were hit by the cap. Analysis in London shows this to be particularly severe. It rose from 12,604 in February to 46,488 by August – an increase of 269%. 71

Sam Lister attributed the increase to recalibrated LHA rates (see section 6), meaning that claimants’ housing cost element went up and therefore increased the likelihood of crossing the benefit cap threshold. 72 The pandemic has pushed more people on to Universal Credit who were previously working and able to pay higher rent levels. Once the 9-month grace period has been exhausted, there is a possibility of more claimants being capped and unable to pay their rent.

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69 HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, para 2.112
70 HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, p73
71 Inside Housing “The holes that must be fixed in our benefits safety net”, 26 January 2021 [subscription required]
72 Ibid.
The rent safety net: changes since 2010

Organisations working with the homeless and local authorities are critical of how the benefit cap has offset LHA rate increases and made it difficult for households affected to secure suitable accommodation. The Homelessness Monitor: England 2021 included the following comments from stakeholders:

The LHA, going back to the thirtieth percentile, all very well and good in some parts of the country. [But] Particularly in London it's led to some real problems in terms of what that has done with private sector affordability...There are parts of London with the private sector leasing programmes where you can't do it because of the benefit cap affecting it.

...in some areas [the LHA increase] didn't make any difference because of the cap, but...we've had very little movement or noises that Government will back down on [total Benefit Cap]. We persevere but we're realistic, yes.73

4.7 Reducing social housing rent levels

As part of Summer Budget 2015 the Chancellor also announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21:

Alongside the freeze in working age benefits, the government will reduce rents in social housing in England by 1% a year for 4 years, requiring Housing Associations and Local Authorities to deliver efficiency savings, making better use of the £13 billion annual subsidy they receive from the taxpayer. Rents in the social sector increased by 20% over the 3 years from 2010-11. This will allow social landlords to play their part in reducing the welfare bill. This will mean a 12% reduction in average rents by 2020-21 compared to current forecasts.74

The Summer Budget 2015 forecast that reductions in social sector rents would save £1.445 billion in 2020/21.75

Although this is not a Housing Benefit measure, the aim was to reduce Housing Benefit expenditure by securing a fall in social sector rent levels. Measures were included in the Welfare Reform and Work Act 2016 to require social landlords to reduce the rents payable by individual tenants by 1% each

74  HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, para 1.140
75  HM Treasury, Summer Budget 2015, 8 July 2015, HC 246, p73
year between 2016 and 2019. A one-year delay in implementation applied to certain types of supported housing.\textsuperscript{76}

\textsuperscript{76} See Library Briefing Papers 01090: Rent setting: social housing (England) and Paying for Supported Housing (06080) for more information.
5 November 2015 Spending Review and Autumn Statement

In the 2015 Spending Review and Autumn Statement the Government made reference to already having announced significant changes to Housing Benefit at Summer Budget, and went on to announce that “This Spending Review and Autumn Statement takes further steps to ensure fairness between those receiving Housing Benefit and those paying for the system.”

5.1 Capping HB for social housing tenants at Local Housing Allowance (LHA) rates (not implemented)

Unlike claimants living in private rented housing, Housing Benefit/UC 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. The under-occupation deduction is an exception to this.

During the 2015 Spending Review and Autumn Statement the Chancellor announced an intention to apply LHA rates to claimants living in the social rented sector:

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 dependant 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.

77 HM Treasury, Spending Review and Autumn Statement 2015, 25 November 2015, Cm 9162, para 1.125
78 An exception to this would be the introduction of deductions for under-occupying tenants in April 2013.
79 HM Treasury, Spending Review and Autumn Statement 2015, 25 November 2015, Cm 9162, para 1.125
The proposed measure was highly controversial.

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 consultation paper published on 31 October 2017. The paper cited concerns raised by the social rented sector and other key stakeholders as the reason for non-implementation.\(^80\)

### 5.2 Limit HB payments for persons outside of Great Britain

The Chancellor announced that HB claims would be limited to 4 weeks for claimants who are outside of Great Britain (previously 13 weeks):

> The benefit system should not subsidise those on benefits to go abroad for extended periods: this reform will ensure the benefit system is not paying the rent of people who go abroad for more than 4 weeks at a time.\(^81\)

The Government consulted on The Housing Benefit and State Pension Credit (Temporary Absence) (Amendment) Regulations 2016 (SI 2016/624) resulting in a revised implementation date of 30 May.\(^82\) This was further delayed to 28 July 2016. As a rule, claimants can be absent from Great Britain without impacting on their housing costs entitlement for up to 4 weeks if they continue to meet the rules for absences from their main dwelling.

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\(^{80}\) DCLG & DWP, *Funding Supported Housing*, October 2017, p5

\(^{81}\) HM Treasury, *Spending Review and Autumn Statement 2015*, 25 November 2015, Cm 9162, para 1.125

6 Local Housing Allowance rates after the freeze (2020)

As previously noted, LHA rates were frozen for four years from 2016 with some provision for rents in the most expensive areas. This meant that claimants’ LHA entitlement was less likely to cover the full contractual rent due as real rents increased over time.

By April 2020, 946 of the 1,000 LHA rates in the UK were poised to be lower than the corresponding 30th percentile – with an average shortfall of 9.6% (see table below). This shortfall existed despite the end of the freeze and an uprating of 1.7% in line with the Consumer Price Index (CPI) which was due to be implemented from April 2020.83

6.1 Resetting LHA rates to the 30th percentile

In March 2020, as part of the Government’s coronavirus support package, the Chancellor announced that LHA rates would be reset to the 30th percentile:

As well as keeping people in work, and supporting those who lose their jobs or work for themselves, our plan for jobs and incomes will help keep a roof over your head.

I’m announcing today nearly £1bn pounds of support for renters by increasing the generosity of housing benefit and Universal Credit, so that the local housing allowance will cover at least 30% of market rents in your area.84

LHA caps remain in place but were upwardly revised to the equivalent of the highest outer London 30th percentile rent plus 20%, enabling LHA to provide increased coverage in every private rental market segment in Great Britain. Even after this increase, the caps still bite at a lower level than the 30th percentile for 15 of the 30 LHA rates in central and inner London.

83 DWP Press Release, Around 900,000 could receive increased Housing Benefit from April, 13 January 2020
84 HM Treasury, The Chancellor’s updated statement on coronavirus, 20 March 2020
The rent safety net: changes since 2010

The increase in LHA rates was widely welcomed, with some caveats. For example, the housing charity Shelter and others pointed out that covering only the 30th percentile of market rents left a majority of those potentially facing a drop in income due to the pandemic with a shortfall in assistance:

It will make a huge difference to private renters claiming housing benefit, or those who will need support from the system in the coming months. As we recently set out, after a decade of cuts and freezes, previous LHA rates in most areas are nowhere near the cost of renting a typical home. In fact, 97% of England is unaffordable to families on LHA. This broken system has led to spiralling homelessness and hardship for those who are reliant on it. And it would not meet the essential role needed in the fight against Covid19.

However, these are extraordinary times. Though many who are employed but cannot work are having most of their salaries paid by the government, many have already lost their jobs. Others, like the five million self-employed people, are likely to have substantially less or no income during this period. As a result, over half a million people have applied for Universal Credit in the last nine days alone.

And even with these changes, the majority of renters will not have their full rent covered by LHA, with 70% of private rented homes above the LHA rate. This will limit the power of housing benefit to prevent hardship and homelessness. It will place huge pressure on renters, most of whom will have no option to increase their income during this time. And remember, services are shutting down and

<table>
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<th>Number of LHA rates</th>
<th>LHA rates below 30th percentile rent</th>
<th>Average % gap relative to 30th percentile (%)</th>
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<tr>
<td>United Kingdom</td>
<td>1,000</td>
<td>-9.6%</td>
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<tr>
<td>Central/Inner London</td>
<td>30</td>
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<td>Outer London</td>
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<td>Rest of England</td>
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<td>Scotland</td>
<td>90</td>
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<td>Wales</td>
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<td>Northern Ireland</td>
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<td>-8.2%</td>
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<td>-8.2%</td>
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</table>

Note (a): Simple average of percentage differences between LHA rate and 30th percentile across all LHA rates including those with no gap.

Sources: LHA rates in England, Scotland, Wales, Northern Ireland: VOA and devolved administrations

Comparison of LHA rates for 2020/21 before and after Covid-19 support package

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<th>Number</th>
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<th>Average % gap relative to 30th percentile (%)</th>
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<td>Northern Ireland</td>
<td>40</td>
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</table>
everyone is being told to stay put, so people are very unlikely to be able to move to somewhere cheaper during this period.85

6.2 Freezing LHA rates in cash terms 2021/22

Alongside the November 2020 Spending Review, the Secretary of State for Work and Pensions announced that in 2021/22 LHA rates would be frozen in cash terms.86

I can confirm that the increase to Local Housing Allowance rates in April this year will be maintained in cash terms in 2021/22. The assumption in the forecast is that rates will remain at these levels in future years, subject to the Secretary of State reviewing annually in the usual way.87

Spending Review documents did not present this as a saving, but as an additional expenditure compared to not maintaining the increase to the 30th percentile. As such, the additional costs of these measures were forecast to be £960 million in 2021/22, falling to £345 million by 2025/26.88

6.3 Reactions

As previously noted in this paper, commentators working across the sector, including those working with the homeless, public and private sector landlords, and tenants’ representative bodies, have criticised austerity measures which have affected the safety net for people liable to pay rent.

It’s argued that limiting help with rent payments contributes to increased levels of homelessness as people reliant on HB or the housing cost element of UC cannot access private rented housing. Evidence of private landlords refusing to let to benefit claimants is covered in the Library briefing paper CBP07008 Can private landlords refuse to let to Housing Benefit claimants?

Concern about accrued rent arrears during the pandemic has led to more focus on the rent safety net. There have been calls for at least a temporary increase in LHA rates to cover median rents and for the national cap on LHA rates to be lifted so high cost areas are not penalised.89 These calls were reflected in evidence submitted to the HCLG Select Committee’s inquiry into

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85 Shelter, New LHA rates: what do they mean? 26 March 2020
86 HM Treasury, Spending Review 2020, 25 November 2020, CP 330, p13; For an analysis of the implications of this measure see Shelter, First indication of Local Housing Allowance rates out last week, 18 December 2020
87 HCWS600, 25 November 2020
89 See for example: JRF, Coronavirus – it’s unthinkable that anyone should be made homeless now, 27 March 2020
measures to protect rough sleepers and renters during the pandemic from bodies representing both landlords and tenants. When giving evidence to the Committee, then-Minister for Rough Sleeping and Housing, Luke Hall, rejected a lift in LHA rates to the 50th percentile and referred to shortfalls being met by the Government’s hardship fund and Discretionary Housing Payments.90 The Committee’s interim report recommended:

The Government must ensure that the Local Housing Allowance (LHA) rate is set at a level that reflects real market rents and ensures those in need are able to afford properties in their areas. We call on the Government to guarantee that the LHA rate will be maintained at the 30th percentile long-term. We also ask the Government to conduct work on what the impact on renters and the wider rental market would be of raising LHA rates further.91

As previously noted, in 2021/22 LHA rates would be frozen in cash terms.92 Shelter analysed the implications of this measure.93 The National Residential Landlords Association (NRLA) expressed “serious concerns” about the freeze:

We were seriously concerned by the decision in the Spending Review to freeze the Local Housing Allowance rate in cash terms from next year. We agree with the Institute for Fiscal Studies which has warned that the measure means that: “some high rent areas get less support than some in low rent ones”.94

HCLG Committee returned to the issue of LHA rates in its March 2021 report in which they called for a review of the decision to freeze rates in cash terms and for a temporary boost to DHPs.95 The Government response published on 25 May 2021 said, “The Government will continue to monitor the effectiveness of our extensive financial support in protecting tenants and landlords, including through the English Housing Survey Household Resilience Study.”96

A coalition of bodies including Shelter, the NRLA, the Association of Residential Landlords (ARLA), Propertymark, Crisis, Citizens Advice and Generation Rent, has issued a series of press notices during the pandemic. For example, on 18 February 2021, ahead of the Budget, the bodies called for, amongst other things, changes to the welfare system to help renters:

…we need a welfare system that provides renters with the security of knowing that they can afford their homes. The pandemic has shown

90 Housing, Communities and Local Government Committee, Protecting rough sleepers and renters: Interim Report, HC 309 2019-20, 22 May 2020, para 30
91 Ibid., para 31
93 Shelter, First indication of Local Housing Allowance rates out last week, 18 December 2020
94 NRLA, Government needs to get a grip of Covid rent crisis, 14 February 2021 – see link to NRLA research in the press release.
95 Protecting the homeless and the private rented sector: MHCLG’s response to Covid-19, Sixth Report of 2019-21, 31 March 2021, HC 1329, paras 94-95
96 Government Response to the Housing, Communities and Local Government Select Committee report on protecting the homeless and the private rented sector, 25 May 2021, CP 439
how vital this is to providing security at a time of crisis. The Government increased Universal Credit and Housing Benefit because it recognised that the system was not doing enough to support people in the first place, yet it has chosen to freeze Housing Benefit rates again from April and is considering cutting Universal Credit at the same time. It cannot be right that these measures could be pulled away from renters during continued economic uncertainty.

We urge the Chancellor to act now to avoid renters being scarred by debts they have no hope of clearing and a wave of people having to leave their homes in the weeks and months to come.97

97 Joint Press Release, Chancellor must act to tackle rent debt crisis, 18 February 2021
Discretionary Housing Payments

One option for HB/UC claimants who experience a shortfall between the rent due and their housing costs entitlement is to apply to their local authority for a Discretionary Housing Payment (DHP). To qualify for a DHP there must be a shortfall between HB/housing element UC entitlement and the rent due; the council will usually consider special circumstances contributing to financial difficulties.

Local authorities are not under any duty to make a DHP and they are generally not paid in perpetuity. The Discretionary Housing Payments Guidance Manual and good practice guide for local authorities was most recently updated and reissued in January 2021.

DHP funding is one of the main ways in which the Coalition and subsequent governments have sought to mitigate against the impact of reductions in housing costs entitlement since 2010.

The table below provides an overview of DHP funding since 2011/12. Figures prior to 2017/18 include funding for Scottish local authorities. Since 1 April 2017, DHPs for Scotland have been fully devolved:

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Source: DWP, Use of DHP, England and Wales- Analysis of returns from local authorities, April 2019-September 2019, 18 December 2019, Table 1; DWP, 02/2020: 2020-21 DHP, 29 May 2020

Discretionary Housing Payment funding has been reduced from £180 million in 2020/21 to £140 million in 2021/22:

For 2021-22 the Government will make available £140 million in DHP funding, which takes account of the increased LHA rates. These
interventions offer a more appropriate and sustainable form of support for vulnerable renters.\textsuperscript{98}

Local authorities are permitted to contribute two and a half times the Government contribution to DHPs.\textsuperscript{99}

More information can be found in Library Briefing Paper \textit{Discretionary Housing Payments} (06899).

\textsuperscript{98} HL12120, 25 January 2021

\textsuperscript{99} Note that this ‘cap’ no longer applies in Scotland.
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