

Quick guide

Welfare in Wales series: Housing Benefit reforms

September 2011

Introduction

In the [June 2010 Budget](#), the UK Government put forward proposals for wide-ranging reforms to the Housing Benefit system.¹ The proposals intended to slow the sharp rise in the costs of Housing Benefit, and in particular to reduce the amount paid to households securing accommodation in the private rented sector.²

Housing Benefit (HB) is a means-tested benefit to help tenants in the private rented sector and the social rented sector pay their rent. HB is administered by local authorities, but is **not a devolved matter**.

Local Housing Allowance (LHA) is a way of working out how much Housing Benefit claimants are entitled to, but only if they live in the private rented sector and began new claims after April 2008. LHA is *not* a separate benefit to Housing Benefit.

Changes from April 2011

- **Changing the basis for setting Local Housing Allowance (LHA) rates from the median to the 30th percentile of local market rents;**

LHA within Broad Market Rental Areas (BMRAs)³ used to be set at the median of data on achieved rents collected by rent officers; this was reduced to the 30th percentile of achieved rates from April 2011. This means that, in theory, **claimants will now have access to the bottom 30 per cent of the rental market, instead of the bottom 50 per cent**. This measure was originally due to be introduced from October 2011, but was brought forward to April (for new claimants only).

- **Capping maximum LHA weekly rates at £250 (for a 1 bedroom property), £290 (for a 2 bedroom property), £340 (for a 3 bedroom property) and £400 (for 4 bedrooms and more – 5 bedroom rate no longer available);**

¹ HM Treasury (2010) [June 2010 Budget](#), p48

² Work and Pensions Select Committee, [Changes to Housing Benefit announced in the June 2010 Budget](#), March 2011

³ BMRAs are set by the Rent Service to define areas in which similar sizes of properties attract similar rents

The introduction of national caps on the rates of LHA payable within BMRAs will impact most on claimants living in certain parts of London.⁴ The Department for Work and pensions (DWP) estimate that the cap will affect around 200 people in Wales.⁵

- **Removing the provision for claimants to retain a maximum of £15 per week where their rent is below the LHA rate;**

In some cases, claimants receiving Housing Benefit calculated using the LHA rates could keep up to £15 a week if their rent was lower than their Housing Benefit. The previous government had proposed to remove this provision, and the UK Coalition Government it is now taking this policy forward.

- **Provision for an additional bedroom allowance for a carer where there is an established need for overnight care;**

As part of the [June 2010 Budget](#) announcements, the UK Government announced that an additional bedroom would be allowed within the size criteria used to assess Housing Benefit claims in the private rented sector where a disabled person, or someone with a long term health condition, has a proven need for overnight care and it is provided by a non-resident carer. This measure will cost £15m per year, and will affect all **private sector** claimants and not just those whose benefit is calculated using LHA.⁶

- **Uprating non-dependent deductions to reflect increases in rent since 2001-02, annually on the same basis.**

A non-dependant is someone who normally lives with the Housing Benefit claimant such as an adult son, daughter, relative or friend. An amount is deducted from the claimant's entitlement to Housing Benefit irrespective of whether the non-dependent actually pays this to the claimant or not. Backdating the uprating to 2001-02 will result in significant increases to the deductions from Housing Benefit which claimants will, in turn, have to recover from their non-dependents or from other household income.

Changes from January 2012

- **Raising the age under which the Shared Accommodation Rate applies from 25 to 35.**

The Shared Accommodation Rate (SAR, previously the Shared Room Rate) currently limits the Housing Benefit that a single person under the age of 25 can receive to the average rent level charged for a room in a shared house. As part of the October 2010 [Spending Review](#) the UK Government announced that the SAR would be extended to cover single claimants under the age of 35 from April 2012⁷ (this was subsequently brought forward to January 2012).

⁴ House of Commons Library (2011) [Housing Benefit: implications of the June 2010 Budget and Spending Review](#)

⁵ DWP, [Impact of changes to Housing Benefit](#) (report and data tables) table 12 [accessed 14/10/10]

⁶ HM Treasury (2010) [June 2010 Budget](#), p40

⁷ HM Treasury (2010) [Comprehensive Spending Review](#), p69

Changes from April 2013

- **Capping total household benefits at £500 per week;**⁸

The cap will operate by reducing the claimant's Housing Benefit entitlement where the total amount of their benefit entitlement (excluding certain specified benefits) exceeds £500 per week for a family. A cap of £350 per week will apply to single people.

- **LHA rates will be uprated based on the Consumer Price Index (CPI), rather than the Retail Price Index (RPI);**⁹

The rationale behind the policy is to reduce expenditure on Housing Benefit and to "move toward providing a fairer and more sustainable Housing Benefit scheme which will help address the disincentives to work inherent in the system."¹⁰

The move is consistent with the UK Government applying the CPI, rather than RPI, to up-rate other social security benefits.

- **Restricting Housing Benefit for working age social tenants who occupy a larger property than their family size warrants to a standard regional rate for a property of the appropriate size.**¹¹

Currently, Housing Benefit claimants living in **private** rented accommodation have their entitlement restricted if they are deemed to live in accommodation that is larger than their family size warrants. No such restriction is currently applied to tenants claiming Housing Benefit while living in **social rented** housing. The UK Government's rationale for extending size restrictions to working-age Housing Benefit claimants in the social rented sector is to "contain growing Housing Benefit expenditure; encourage mobility within the social rented sector; strengthen work-incentives and make better use of available social housing".¹²

Legislation

The changes coming into force on 1 April 2011 are contained in the [*Housing Benefit \(Amendment\) Regulations 2010 \(SI 2010/2835\)*](#) and the [*Rent Officers \(Housing Benefit Functions\) Amendment Order 2010 \(SI 2010/2836\)*](#).

The measures affecting under-occupying tenants of social housing and up-rating Local Housing Allowance (LHA) rates by the Consumer Price Index (CPI), as well as the household benefit cap, are contained in the [*Welfare Reform Bill*](#) which is currently progressing through Parliament.

The measure affecting the Shared Accommodation Rate (SAR) will be implemented by regulations – these are currently out for [consultation](#) by the Social Security Advisory Committee.¹³

⁸ HM Treasury (2010) [*Comprehensive Spending Review*](#), p28

⁹ HM Treasury (2010) [*June 2010 Budget*](#), p17

¹⁰ DWP (2011) [*Impact Assessment on Housing Benefit – uprating Local Housing Allowance rates by CPI*](#), para 3

¹¹ HM Treasury (2010) [*June 2010 Budget*](#), p48

¹² DWP (2011) [*Under-occupation of social housing Impact Assessment*](#), para 11

¹³ House of Commons Library (2011) [*Housing Benefit: Shared Accommodation Rate*](#)

Additional changes

A proposal in the June 2010 Budget to reduce Housing Benefit by 10 per cent for Jobseeker's Allowance claimants who have been unemployed for over 12 months did not appear in the *Welfare Reform Bill* when it was introduced to Parliament in February 2011.¹⁴

In recognition of the potential transitional costs that will arise for some households as a result of all these changes, the UK Government has made provision for increased expenditure on Discretionary Housing Payments, of £10 million in 2011-12 and £40 million a year thereafter.¹⁵ These are administered by local authorities.

It was announced in the March 2011 budget that the LHA changes that were to be introduced in April 2011 would only affect new claimants – the changes will not affect existing claimants until January 2012.¹⁶

Response to the changes

Both the Social Security Advisory Committee¹⁷ and the House of Commons Work and Pensions Select Committee¹⁸ have carried out consultation exercises in relation to the changes announced in June 2010. In response to representations made by these Committees the Government announced:

- a delay in implementing the LHA changes in respect of existing claimants;
- additional flexibility to pay LHA direct to landlords where they reduce their rents;
- additional funding for Discretionary Housing Payments; and
- independent research into the impact of the changes to report by 2013, before the transition to Universal Credit begins.¹⁹

¹⁴ HM Treasury (2011) [Budget 2011](#), p55, para 2.61

¹⁵ [HC Deb 30 November 2010 c72WS](#)

¹⁶ HM Treasury (2011) [Budget 2011](#), p55, para 2.62

¹⁷ Social Security Advisory Committee, [The Housing Benefit \(Amendment\) Regulations 2010 \(S.I. No. 2010/2835\)](#), November 2010

¹⁸ Work and Pensions Select Committee, [Changes to Housing Benefit announced in the June 2010 Budget](#), March 2011

¹⁹ Work and Pensions Select Committee, [Changes to Housing Benefit announced in the June 2010 Budget – Government Response](#), paras 78, 113 and 167, March 2011

Further information

For further information on aspects of Housing Benefit, please contact **Hannah Johnson** (hannah.johnson@wales.gov.uk), Research Service.

See also:

- HoC Library (2011) [Housing Benefit: implications of the June 2010 Budget and Spending Review](#);

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