

## **The Housing Benefit: From April 2011:**

Local Housing Allowance levels have been restricted to the 4 bedroom rate, the 5 bedroom rate is scrapped. A new upper limit has been introduced for each property size, with upper limits set at:

- £250 a week for a 1 bedroom property
- £290 a week for a 2 bedroom property
- £340 a week for a 3 bedroom property
- £400 a week for a 4 bedroom property or larger

This creates a potential problem in expensive areas, particularly in the South East

The size criteria has been adjusted to provide for an additional bedroom for a non-resident carer where a disabled customer has an established need for overnight care. Although this is a positive move, its effect has been diminished by the introduction of a less generous formula for calculating LHA (See below)

The Local Housing Allowance was set at the 30th percentile of rents in each Broad Rental Market Area, rather than the median. It has also been confirmed that the measure announced by the previous Government for the removal of the top 1% of rents in the market evidence for each bedroom size in the calculation of Local Housing Allowance rates will not go ahead. All properties will therefore be taken as evidence when calculating any LHA rates and rents. This means that if the cheapest banded property in a Broad Rental Market Area on 31 September 2011 was £150 and the most expensive outside of the top 1% was £200, LHA would have been set at £175 i.e. 50% (the median) of the difference between highest and lowest figures. The rules from 1 April 2011 include rents charged in all properties, perhaps making the most expensive rent £210. LHA would be set at £168 i.e. 30% of the difference between highest and lowest. If the calculation exceeded the new upper limits for each property band it would be capped at that level i.e. if the calculation returned a figure of £300 per week for a one bedroomed property only £250 would be allowed (see caps above).

## **Discretionary Housing Payments**

The sum allocated by Government for Discretionary Housing Payments will increase by £10 million in 2011 and by £40 million a year thereafter. Although this is aimed at giving more flexibility to local authorities to help a greater number of new and existing customers who face a shortfall in rent because of changes to the Housing Benefit rules it should be borne in mind that Discretionary Housing Benefit payments are not an entitlement. If anyone is able to secure an award they cannot rely on it as a guaranteed ongoing payment for the life of the tenancy, creating risks for long term security, a key issue for many disabled people.

**Funding for social housing and adaptations:**

Spending on building social housing has been cut by 60%. New social housing rents will increase to equal up to 80% of market levels. It is anticipated that this increase in rental income will support the building of 150,000 new social homes between 2011 and 2015 Over £2billion of capital funding will be made available for the Decent Homes programme.

The Disabled Facilities Grant will be retained and rise with inflation, but will no longer be ring fenced.

Local authorities will receive a non ringfenced New Homes Bonus for every new home built, which matches the Council Tax for each home developed for 6 years.

**Home Ownership:****Support for Mortgage Interest - Rate change**

The allowable interest rate for people applying for mortgages under the Support for Mortgage Interest scheme has been reduced to 3.68% from 6.08%. This has left some existing customers having to pay the shortfall from their benefit income. It has also led to a hold on processing new applications while mortgage products are adjusted to reflect this change. It is not clear when, or if, this option will become available on the market again. Even if it does the reduction in rate allowance will make it unaffordable for some people on mid rate DLA or above and all people on low rate

**Longer term reform:**

The Government announced further measures for the reform of Housing Benefit in the longer term, these will require primary legislation:

**Local Housing Allowance:** The Government announced its intention to reform the way Local Housing Allowance rates are set in future and, from 2013/14 onwards, Local Housing Allowance rates will be uprated on the basis of the Consumer Prices Index, rather than on the basis of local rents. Local rents usually reflect Retail Price (RPI) Index inflation rather than Consumer Price Index (CPI). This means that increases in allowances will be reduced and eroded increasingly year on year as RPI is invariably higher than CPI.

**Social rented sector:** From April 2013, Housing Benefit for working age social rented sector customers will be restricted for those who are occupying a larger property than their household size and structure would warrant. There will be consultation on the detailed design of this policy. The need for larger properties for disabled people might normally be seen as reasonable should be factored into the design of this policy. This might include the need for accommodation for non resident carers or for specifically designed layouts requiring more space.

Although we try to ensure that statements as to the law and other facts are accurate this factsheet gives general guidance and does not aim to cater for individual cases. Housing Options and our sponsors cannot accept responsibility for any loss incurred as a result of relying on such statements, specific advice should always be obtained on individual cases.

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