

# **Shelter's response to the Department for Work and Pensions consultation - The Housing Benefit Amendment (No 2) Regulations 2009: Changes to the Local Housing Allowance**

**From the Shelter policy library**

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# Shelter

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people a year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 advice centres
- Shelter's free advice helpline which runs from 8am-8pm
- Shelter's website which provides advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include housing support services, which work with formerly homeless families, and the Shelter Inclusion Project, which works with families, couples and single people who are alleged to have been involved in anti-social behaviour. The aim of these services is to sustain tenancies and ensure people live successfully in the community.
- A number of children's services aimed at preventing child and youth homelessness and mitigating the impacts on children and young people experiencing housing problems. These include pilot support projects, peer education services and specialist training and consultancy aimed at children's service practitioners.
- We also campaign for new laws and policies - as well as more investment - to improve the lives of homeless and badly housed people, now and in the future.

## Summary and recommendations

Shelter has closely monitored, and taken a keen interest in, the local housing allowance both in its pilot stage<sup>1</sup> and since the national roll out from April 2008. At this stage in the implementation process of LHA we do not agree with the proposals to amend Housing Benefit regulations from April 2010 so that claimants are unable to receive up to a £15 excess of their weekly LHA over and above their contractual rent, for the following practical reasons:

- For many claimants who are already on a tight budget the loss of up to £15 a week in their income is likely to leave them struggling further to meet their household costs and could potentially lead to other debt problems, especially given the impact the recession is already having on many low income households;
- In practice we believe it will result in very few cost savings to the housing benefit budget. It may encourage more private landlords to put their rents up to the maximum LHA as there will no longer be the incentive on their part to ensure that claimants are able to keep £15 as a 'safeguarding buffer'. Similarly, tenants may decide to move to more expensive properties as they will no longer be benefitting from the £15 excess;
- There is insufficient evidence to accurately assess the impact of the changes, both in terms of who will be affected, and also individual impacts on claimants. The Department has no reliable data available on the number or type of households that currently keep up to £15 surplus LHA, or what they use this money for.

Whilst one of the unintended consequences for the Government of the £15 excess provision has been an overspend in their housing benefit budget, at this stage the decision to remove this both undermines the original policy intentions of LHA, but also comes ahead of the DWP two year LHA review due in 2010. We feel there are anomalies in addressing this issue now ahead of the planned review, as well as raising questions relating to what the LHA programme has set out to achieve.

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<sup>1</sup> See Reynolds, L. *The path to success? Shelter's research on Housing Benefit reform: the final report*, Shelter, October 2006.

However, if the Government insists on going ahead with the changes from April 2010, we would like to see the following proposals considered to help mitigate the impact on claimants:

- That the changes apply to new claimants only;
- If not, as a minimum, a transitional protection period of 26 weeks should be put in place for existing customers who are entitled to an excess payment when their claims are reviewed or when they change their address.
- An evaluation of the impact of these changes should take place as part of the Government's two year review of LHA to assess the impact it has made on claimants, and also on landlord behaviour.

## 1. Practical implications

### Financial inclusion and increased personal financial responsibility

There are ~~also~~ serious implications of the removal of the £15 excess on household budgets. For many people living on an already low income, if they have made the choice to live in cheaper accommodation or in a less desirable neighbourhood the loss of £15 a week could cause problems in managing their weekly outgoings. LHA is intended to form part of the Government's financial inclusion agenda, and removing income will do little to help households manage their own finances, especially at a time when many households have been hit hard by the recession. Some households, quite legitimately, may have allocated any excess income for other long-term committed household costs such as bills, loan repayments, or children's expenses. Therefore, the sudden loss of income will potentially see a higher rate of rent arrears and an increase risk of homelessness at a time when the Government continues to promote the private rented sector as a way to tackle and prevent homelessness.

Interviews with claimants as part of the evaluation of the LHA pathfinders found that even relatively small amounts of money were felt to *'make a difference'*, given the tight financial budgets claimants experienced.<sup>2</sup> Some people used their LHA surplus in their budgeting, *'for example as a buffer to help with bills or with additional costs recently incurred due to health deterioration'*.<sup>3</sup>

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<sup>2</sup> DWP, Local Housing Allowance Final Evaluation report, The qualitative evidence of claimants' experience in the nine Pathfinder areas, 2007.

<sup>3</sup> DWP, Local Housing Allowance Evaluation report 6, *Receiving the LHA: Claimants' early experiences of the LHA in the nine Pathfinder areas*, 2006.

In addition, early evidence from Citizens Advice on LHA<sup>4</sup> also found that most respondents were using their excess to cope with the every day financial pressures of living on means tested benefits, which included day to day living expenses, and paying off housing or other debts. In this context, given that claimants who are currently receiving an excess will have – quite legitimately – factored this into their household budget, removing the excess will inevitably have a negative impact on the ability of those on low incomes to manage their finances.

Given the likely negative impact on claimants' household budgets we feel if the proposals must go ahead then they should only apply to new claimants. At a very minimum a transitional protection period of 26 weeks should be put in place for existing customers who are entitled to an excess payment when their claims are reviewed or when they change their address, to ensure an adjustment period and to access advice on managing their new allowance.

### **Impact on landlord and claimant behaviour**

It is likely that the proposals to stop claimants from keeping up to an excess of £15 a week of their LHA will do little to encourage landlords from taking on housing benefit claimants given the negative impacts on claimants' finances outlined above.

One already unintended consequence of LHA is that landlords in some areas have been putting their rents up to meet the maximum LHA rate. This has been further supported in research by Crisis<sup>5</sup>. However, during discussions with a group of landlords who specifically let to LHA claimants they had made the decision not to change their rents to match the maximum rate in order to provide a safeguarding 'buffer' for households to be able to keep the excess to meet other household bills and help prevent rent arrears. If there is no longer the system in place which allows tenants to keep any surplus from the LHA rate and potentially prevent rent arrears, there is no longer the incentive for landlords, where such exists, not to raise their rents to meet the maximum rate for the area.

Similarly, as there is no longer the incentive for claimants to shop around and keep an excess they may decide to look for more expensive accommodation at the full LHA rate. As a result of both potential landlord and claimant behaviour there is very likely to be the

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<sup>4</sup> Citizens Advice Bureau, CAB evidence briefing, *Early days: CAB evidence on the Local Housing Allowance*, November 2005.

<sup>5</sup> Crisis, *Local Housing Allowance: One year on*, April 2009.

same level of expenditure for the Government as before and the proposals will not provide any significant savings for the housing benefit bill.

### **Available evidence base**

Due to the lack of accurate information available the Equality Impact Assessment (EIA) cannot either accurately evaluate the general impact that the proposed changes will have nor measure the effect the changes will have on some minority groups including households with children, older people, those with disabilities and minority ethnic groups. Given the lack of reliable quality assured data on individual LHA claimants it is difficult to assess who are, and the location of, the people most affected by the changes. We feel proposals to remove the £15 excess should be justified on the basis of long-term and reliable data, and a decision should be made after the publication of the 2 year review of LHA rather than on an ad-hoc basis.

## **2. Policy intentions of LHA**

### **Choice and Fairness**

The Government's rationale behind the LHA was to build choice and responsibility into housing benefit which was anticipated to encourage recipients to make trade-offs between quality and price when seeking accommodation in the private rental market.<sup>6</sup> One of the key features of this was to allow claimants, if the LHA rate is higher than the contractual rent, to keep the excess benefit of up to a maximum of £15 per week. By removing this aspect of the scheme, it takes away any incentive for tenants to 'shop around' for more affordable accommodation below the LHA rate, and therefore undermines one of the underlying aims of LHA.

### **Reviewing LHA**

Further, the Government has made or is proposing to make a series of changes to LHA, such as the decision to cap at the 5 bed rate and the proposals set out in this consultation, ahead of the planned two year LHA review due in 2010. However, the Government is unwilling to evaluate other aspects of the scheme which are causing problems for tenants,

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<sup>6</sup> Kemp, P.A. Chapter 4: Housing Benefit and social housing in England, in Fitzpatrick, S. and Stephens, M. (eds) *The future of social housing*, Shelter 2008.

specifically direct payments, before this two year anniversary. We feel this is not only unfair to claimants but also an inconsistent way of evaluating the impact of the scheme.

### **Reducing barriers into work**

LHA has also been designed with the aim of reducing barriers into work. Given that the incentive for claimants to live in properties below the LHA rate will be removed, some people may decide to move to more expensive accommodation, and landlords may also raise their rents, thus increasing the unemployment and poverty traps associated with housing benefit which make the transition into work more difficult.

### **Conclusion**

Shelter does not agree with the proposals put forward which stop claimants being eligible to keep up to an excess of £15 from their LHA rate if their contractual rent is lower. It both undermines the underlying policy aims of LHA and reduces the income of households who are already managing on very tight budgets. Further, LHA is subject to a two year review, but there seems to be an imbalance in the aspects of the programme the Government is willing to evaluate before the two year review is complete. The Government has already capped the rate to a maximum of five bedrooms and is now planning to reduce further the allowance of some benefit claimants, however they are refusing to assess direct payments until the two year review despite a range of organisations calling for this to be reconsidered earlier.

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