

Changes from April 2011

- **Cash Back**

Currently under the LHA, if a person finds a property cheaper than the maximum LHA which can be paid for that size accommodation, the tenant is entitled to retain up to £15/week of this excess LHA. From April 2011, this 'cash back' will be removed. The HB team estimates this will affect about 675 customers

- **Increasing non-dependent deductions**

HB/LHA entitlement will reduce for claimants, where other adults live with the claimant who are not part of their family for benefit purposes (usually adult children), as the non-dependent deductions element is set to increase by between one third and a half of current rates.

Not only will this potentially have affordability issues for the households concerned, equally significant is the likely increase in strain in relationships between young people and their parents, leading to potential homelessness for these young people.

- **Size restriction for larger families**

For new tenants claiming LHA, the amount of LHA payable will be capped to 4 bedrooms. In other words, anyone occupying properties larger than a 5 bed (due to the size of their family) will only be entitled to LHA up to the value payable for a 4 bedroom property. The HB team estimate this will affect 7 families in Cheltenham.

Changes from October 2011

- **Recalculation of the LHA from 50th percentile of market rents to 30th percentile**

Currently LHA is calculated on each size property (1,2,3 and 4 bedrooms) based on the median market rent for those property sizes (i.e. the 50th percentile). This means that households claiming LHA do not have a shortfall in their entitlement if they move into a property that is within the bottom 50% of the market rent for that size property.

From October 2011, this calculation will be based on the 30th percentile of market rents, meaning that households will need to find properties within the bottom 30% of the market rent for the accommodation size they need.

The HB team estimates that approximately 1000 households will be affected. Those worst affected will be households occupying 4 bedroom accommodation, with the estimated reduction in entitlement being approximately £175/month. Currently 29 families occupying 4 bedroom accommodation will be affected by this change.

Changes from April 2013

- **Linking the LHA to the Consumer Prices Index (CPI)**

LHA is currently linked to the Retail Prices Index. Historically, the RPI increases are year on year greater than the CPI. (By an average of 2.57% per year). The Chartered Institute of Housing states that this change will not keep pace with rental inflation, and estimates that within 2 years of the change coming into force there will be no 1 bed properties available anywhere in the country that will be fully paid for with LHA.

- **HB/LHA Time limits for Job Seekers Allowance (JSA) claimants out of work for more than 12 months**

Anyone out of work for more than 12 months will have their HB/LHA reduced by 10%. This will apply both to those in private rented accommodation and the social housing sector.

It is expected that more people will move onto Job Seekers Allowance (JSA) in future years, as those currently claiming Incapacity Benefit have their claims reviewed, are deemed fit for work, and are awarded JSA instead. The Department of Work and Pensions estimates that 20% of households claiming Incapacity Benefit will be reassessed as fit for work). With these changes, there is an increased likelihood that these relatively more vulnerable households will be most affected by the 12 month cap.

- **Property size limits to those of working age**

This change will restrict HB for working age tenants who are occupying a larger social rented property than required for their household size. (Size restrictions already apply to private sector tenants claiming HB/LHA). The increased affordability issues will present households with a dilemma: to leave accommodation that they wish to remain in, but may not be able to afford; or move to a property which they may find less desirable. Under the current allocations scheme, these low income households are unlikely to be able to move swiftly, if at all, if they have no other housing need. For those who do remain, there is an increased risk that they will accrue rent arrears.

Changes with no implementation date yet identified

- **Single room rent for under 35s**

The Government announced in their Comprehensive Spending Review on 20th October that the single room rent currently applicable to most under 25 year olds (i.e. those under 25 years entitled to LHA on a property up to the value of the bottom 30th percentile of a house/flat share) will be extended to include all single people up to the age of 35 (with exceptions still applying to those leaving care and those with certain disabilities).

House and flat shares are generally less expensive than one bedroom self-contained accommodation. This will therefore mean that those individuals currently occupying one bedroom self-contained accommodation, and who are reliant on LHA to cover their rent, are likely to find their current property less affordable, and as a result they may need to move.