

## Housing Benefit Circular

Department for Work and Pensions  
Caxton House, Tothill Street, London SW1H 9NA

# HB A9/2014

### ADJUDICATION AND OPERATIONS CIRCULAR

<b>WHO SHOULD READ</b>	All Housing Benefit staff
<b>ACTION</b>	For information
<b>SUBJECT</b>	Temporary accommodation in Housing Benefit and Universal Credit

### Guidance Manual

The information in this circular does not affect the content of the HB/CTB Guidance Manual.

### Queries

- **extra copies of this circular/copies of previous circulars** can be found at <https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars-2014>
- about the
  - **technical content of this circular**, contact [housing.benefitenquiries@dwp.gsi.gov.uk](mailto:housing.benefitenquiries@dwp.gsi.gov.uk)
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## **Temporary accommodation in Housing Benefit and Universal Credit**

### **Temporary accommodation in Housing Benefit**

1. All Housing Benefit (HB) temporary accommodation subsidy claims will continue on the current rules until the claimant migrates to Universal Credit. That is, in most cases, 90 per cent of the appropriate January 2011 Local Housing Allowance (LHA) rate for the property (not the household size), that the local authority (LA) places the claimant into; plus £40 (for London authorities) or £60 (for non-London authorities). All the detailed rules set out in the HB Subsidy circular S1/2011 and subsequent updates will continue to apply.
2. For accommodation owned by an LA and used to discharge a homelessness duty the level of rent for temporary accommodation, provided from their own housing stock will continue to be subject to the same rules as other Rent Rebate cases.
3. Claimants in LA owned or registered housing association owned temporary accommodation will be subject to the Removal of the Spare Room Subsidy (RSRS).
4. All temporary accommodation claimants' HB will be included in the calculation of the benefit cap.

### **Temporary accommodation in Universal Credit**

5. For claimants already in receipt of Universal Credit who report a change of circumstances resulting in their becoming homeless and placed in temporary accommodation, the claimant will continue to receive Universal Credit, including a rental element for their accommodation. The rental element will be based on the LHA rate for the household size or the actual rent, whichever is the lowest with the rent paid directly to the claimant. The benefit cap will apply, as will the shared accommodation rate; the RSRS is not applicable as it does not apply to LHA cases and the housing element is based on the size of the claimant's household.
6. Individual decisions on managed payments for claimants in temporary accommodation will be made within the current arrangements for assessing the need for alternative payment arrangements. The criteria for those assessments already include those in temporary accommodation and are not time limited.
7. Universal Credit has been built to provide alternative payment arrangements and to apply criteria for managed payment of rent to the landlord. Temporary accommodation is already one of those criteria.
8. Any Discretionary Housing Payment a claimant might receive will not be taken into account when calculating the benefit cap.

9. A contribution-to-costs-fee for temporary accommodation cases in Universal Credit will be paid. It will be a single, flat rate national fee of approximately £45 per week. These payments will be outside of HB and Universal Credit and will require new enabling legislation. Consideration as to how this fee will be allocated and distributed are ongoing. Stakeholders will be invited to take part in discussions regarding the distribution, shortly.
  
10. In the mean time LA Association representatives have been advised informally that for the small number of cases which may arise during the current rollout of Universal Credit there is sufficient money in the system to be able to absorb additional costs of claimants moving into temporary accommodation while claiming Universal Credit. It would be disproportionate for them and us to put further accounting and payment arrangements in place at this time.

## Annex A

**Temporary accommodation – Questions and Answers****Q1. Why has the Department for Work and Pensions decided to make payments of the housing element in Universal Credit directly to claimants in temporary accommodation?**

**A.** Decisions on managed payments within the current arrangements for assessing the need for alternative payment arrangements will be made on an individual basis. The criteria for those assessments already include those in temporary accommodation and are not time limited. This would fit with Universal Credit design/build and legislation also resolving operational issues by encouraging LAs to identify such claimants.

We understand that landlords have pushed to have the housing cost element of temporary accommodation claimants automatically paid to the landlord in all cases. Our thinking about this aspect of temporary accommodation developed alongside the wider work on direct payment and rent arrears interventions. Progress with the triage and managed payment arrangements makes it more arguable that it would be better to simply include people in temporary accommodation in the process for managed payments for a limited period (or possibly longer term), at least until we can collect better evidence of what behaviours people in temporary accommodation are likely to adopt. It seems more likely that families recently put into temporary accommodation will have some history of poor or erratic rent payment, for instance.

**Q2. Why has there been no increase to the LHA rate for temporary accommodation in HB Subsidy?**

**A.** The rate currently used in the calculation for HB subsidy in temporary accommodation cases is the January 2011 LHA rate at the 50<sup>th</sup> percentile. We looked at changing the rate to the 2014/2015 rate. However any uprating would mean that the LHA rate would then be based on the 30<sup>th</sup> percentile. Analysis showed that any gains made by uprating to the 2014/2015 LHA rate were lost by the move from the 50<sup>th</sup> percentile to the 30<sup>th</sup> percentile. So the decision was made to leave the calculation as it is for the present. However, we will continue to monitor the situation and will consider such a change in advance of full migration of this caseload to Universal Credit.

**Q3. How will Universal Credit monthly payments in arrears deal with claimants in volatile temporary accommodation who may be moved several times within a month?**

**A.** Universal Credit payments will be made monthly in arrears. The introduction of such a major change will require changes in many aspects of the management of services for those on benefits, including housing. Providers of housing must begin to consider how they will manage supply and obtain payment under a new regime.

We want to break the cycle of dependency on benefits and encourage benefit claimants to take responsibility for their own lives by addressing issues which have prevented them from entering the work place, this aspiration applies particularly to those living in temporary accommodation. Support is available to those who are homeless and in temporary accommodation to help them to gain control of their lives and their finances.

**Q4. Many claimants in temporary accommodation have been affected by the benefit cap, what are you doing to resolve this issue?**

**A.** The very high levels of rents charged for people living in temporary accommodation could mean that some are capped. These high rents act as a work disincentive and the government is therefore keen that LAs actively seek to secure accommodation that is suitable for the applicant to move to as quickly as is feasible. The Localism Act 2011 gives LAs additional flexibility in this respect as it enables them to end the homelessness duty by placing people into suitable tenancies in the private rented sector rather than just the social rented sector as previously.

**Q5. Currently a management fee for temporary accommodation of £40 in London and £60 elsewhere is included in the calculation of a claimants benefit cap: can this be removed from the calculation of the benefit cap?**

**A.** The fixed element of £40 in London and £60 elsewhere was only ever intended to be part of the subsidy calculation and was added to recognise that such fees in rents in temporary accommodation tend to be greater than management fees which implicitly make up part of the rent in other types of cases.

The benefit cap policy was signed off as part of the clearance process for the Welfare Reform Act 2012 and the savings scored by HM Treasury included temporary accommodation.

We are not in a position to start re-negotiating how the managed element is paid for temporary accommodation under HB Subsidy Regulations.

Removing the management element (£60/£40) from the benefit cap would generate a shortfall of around £5 - £10 million. This would have to be met by top slicing it from the overall management element pot, which would reduce the money available to LAs.

Administratively it would be difficult to implement. Changes would be needed to the Income Related (subsidy to authorities) Order, the HB subsidy claim form and supporting guidance. Changes would also be needed to LA IT systems at an estimated cost of £2 million.

This could also set a precedent for those in non-temporary accommodation who have been subject to the benefit cap to challenge the level of their cap based upon whatever management costs have contributed towards the rental liability.

**Q6. Are HB reforms forcing more and more vulnerable people into homelessness?**

Temporary accommodation has been in transition since 2011 when we introduced LHA rates into the calculation of HB subsidy for temporary accommodation and capped the amount of subsidy payable in temporary accommodation cases. In that time there has been a slight rise in the numbers of claimants accepted as homeless.

We have also introduced a benefit cap which restricts the amount of benefit, including HB which claimants can receive to bring the amount they receive into line with what a working family might expect to receive; claimants in temporary accommodation are subject to the benefit cap

The treatment of temporary accommodation in Universal Credit is a further and final step in the journey of transition for temporary accommodation. LAs, registered housing associations etc have had time to reorganise their business models to take account of these changes. There is still evidence that some LAs and Devolved Governments have retained ownership of accommodation which is designated as temporary accommodation, claiming maximum HB subsidy for such properties and have failed to take account of the changes to the way in which temporary accommodation would be paid for in future. There have been many public announcements by stakeholders on the growing levels of homelessness they are dealing with, however, the quarterly statistics provided by the Department for Communities and Local Government do not support these assertions.

We continue to expect LAs to provide suitable permanent accommodation for claimants who present as homeless rather than using over-expensive temporary accommodation to home such families.