



Department
for Work &
Pensions

Local Housing Allowance Targeted Affordability Funding

Call for evidence

June 2013

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Introduction

This Call for Evidence seeks your views on the policy for the Local Housing Allowance (LHA) Targeted Affordability Funding for 2014/15 and 2015/16. It will also enable us to gain further insight into the diversity of the challenges faced by Housing Benefit claimants looking for affordable accommodation in the private rented sector.

About this call for evidence

Who this call for evidence is aimed at

This Call for Evidence is aimed at housing and homeless charities, welfare rights organisations, national housing and landlord organisations and local authorities.

Purpose of the call for evidence

This Call for Evidence seeks views on the policy for the targeting of the LHA Affordability Funding. At Autumn Statement 2012, the Government announced that most LHA rates will be increased by a maximum of 1 per cent in 2014/15 and 2015/16. The Government also committed to using 30 per cent of the potential savings from this measure (as at Autumn Statement 2012) to increase some rates by more than the 1 per cent limit.

While this Call for Evidence provides stakeholders with the opportunity to influence the targeting of the LHA Targeted Affordability Funding, it does not provide scope to change the Government's commitment to limit the uprating of the LHA by 1 per cent in most areas in 2014/15 and 2015/16.

Scope of call for evidence

This Call for Evidence applies to England, Wales and Scotland.

Duration of the call for evidence

The period for responses begins on **28 June 2013** and runs until **28 July 2013**

How to respond to this call for evidence

Please send your responses to:

Email: -HPD.CONULTATIONS@DWP.GSI.GOV.UK

Call for Evidence – Local Housing Allowance – Targeted Affordability Funding

Please ensure your response reaches us by **28 July 2013**.

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents, and where applicable, how the views of members were assembled. We will acknowledge your response.

Queries about the content of this document

Please direct any queries about the subject matter of this Call for Evidence to:

Email: -HPD.CONULTATIONS@DWP.GSI.GOV.UK

Call for evidence

Local Housing Allowance – Targeted Affordability Funding

Introduction

1. At Autumn Statement 2012, the Government announced that most Local Housing Allowance rates will be increased by a maximum of 1 per cent in 2014-15 and 2015-16. In recognition of the fact that rental markets differ across the country, the Government committed to using 30 per cent of forecast savings as at Autumn Statement 2012 to increase rates in some areas by more than the 1 per cent limit. The funding for this is known as the 'Local Housing Allowance Targeted Affordability Funding'.
2. This Call for Evidence seeks views on the policy for the Local Housing Allowance Targeted Affordability Funding in 2014-15 and 2015-16.
3. This Call for Evidence will also enable us to gain further insight into the diversity of the challenges faced by Housing Benefit claimants looking for affordable accommodation in the private sector.

Background

4. Local Housing Allowance (LHA) rates represent the maximum Housing Benefit awards for claimants in the private rented sector. Rates vary according to the number of bedrooms a claimant's household is entitled to, and which of the 193 Broad Rental Market Areas (BRMAs) they live in.
5. BRMAs are geographic areas, intended to reflect the areas in which people live and enjoy services, and the rental values within those areas. Each BRMA has five LHA rates: one each for shared accommodation, and one, two, three and four-bedroom properties. This means that there are a total of 965 LHA rates across Great Britain.
6. The current LHA rates for each BRMA can be accessed via the following links:

<http://www.voa.gov.uk/corporate/RentOfficers/LHARates/april2013lha.html>

<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/privaterent/tenants/money/localhousingallowance/Figures-1/2013>

<http://wales.gov.uk/topics/housingandcommunity/housing/private/renting/rentofficers/publications/lha13/?lang=en>

7. In April 2013, following the announcement originally made at the June Budget 2010, increases to LHA rates were limited in line with the Consumer Prices Index of inflation (CPI). This means that the rates have been increased in line with either the CPI (the rate as at September 2012) or the 30th percentile of local rents, whichever is the lower of the two.
8. At Autumn Statement 2012, the Government announced further plans for the uprating of LHA rates in 2014-15 and 2015-16, by restricting increases in most areas to a maximum of one percent. This means that in April 2014 and April 2015, most LHA rates will be increased either to the 30th percentile of market rents or by 1 per cent, whichever results in the lower rate. This brings the uprating policy of LHA rates in line with the policy for most other working-age benefits.
9. The Government announced that 30 per cent of the forecast savings as at Autumn Statement 2012 - £45m in 2014/15 would be used to increase LHA rates in some areas by more than the 1 per cent limit. This Call for Evidence will help inform the design of the policy for determining these increases, but will be constrained by the amount of funding available for this purpose.

Policy objectives

10. The primary objective for the Targeted Affordability Funding is to help to prevent more areas becoming unaffordable for Housing Benefit claimants when most LHA rates are uprated by 1 per cent in 2014-15 and 2015-16. Behind this is recognition - reflected in the introduction of the Local Housing Allowance caps in April 2011- that the Government believes Housing Benefit should not support people who are not working to live in accommodation that would be out of the reach of most people in work.
11. Our intention is that the Targeted Affordability Funding will not be distributed separately from Housing Benefit, but will be used to increase some LHA rates by more than 1 per cent in 2014-15 and 2015-16.
12. Whilst the Secretary of State already has the power to step in if there is a general divergence between LHA rates and market rents, this funding will enable the Government to take a more proactive role and take account of the diverse local and regional variations in rental markets, whilst still securing a reduction in overall expenditure to help to reduce the structural deficit.

April 2013 LHA rates

13. The new LHA rates for April 2013 were published by the Rent Officer¹ in November 2012, along with the 30th percentile of local rents within each Broad Rental Market Area to allow transparent monitoring of any divergences from the LHA rates.

¹ <http://www.voa.gov.uk/corporate/RentOfficers/LHARates/april2013lha.html>

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14. The data shows that there has been no general divergence between LHA rates and market rents at this stage. When the rates were set for 2013/14 over half had stayed the same or fallen and the CPI limit applied to only a quarter of the rates overall. However, where the CPI limit was applied, the LHA rate is now lower than the 30th percentile of local rents.

How you can help

15. We would welcome your views on the key considerations as to how the policy for the targeted funding should be designed, as well as any evidence you may wish to provide or make us aware of. Annex one contains a number of broad questions as a guide, but we will accept any submissions you think important.

16. Please complete and e-mail the completed annex to:

-HPD.CONULTATIONS@DWP.GSI.GOV.UK

17. When considering your response, please bear in mind:

- a. while this Call for Evidence provides stakeholders with the opportunity to influence the targeting of the Local Housing Allowance Targeted Affordability Funding, it does not provide scope to change the Government's commitment to limit the uprating of the LHA by 1 per cent in most areas in 2014-15 and 2015-16;
- b. the Targeted Affordability Funding is cash-limited. For this reason, respondents should note that suggestions that entail increasing high numbers of rates by significant amounts are unlikely to be practicable.
- c. changes to BRMA boundaries are out of scope.

18. **The deadline for responses is 28 July 2013.**

Next steps

19. Your views and evidence will contribute to the policy development over the summer. We may contact you for clarification on points raised or evidence given if necessary.

20. The Department for Work and Pensions does not intend to publish a formal response to the Call for Evidence, but will include a summary of responses alongside the new LHA rates for 2014-15, and the announcement about which areas will be targeted for the funding. Final decisions on allocation of the funding will be made public in the Autumn, following agreement with Ministers.

Any queries

21. If you have any queries, please email:

-HPD.CONULTATIONS@DWP.GSI.GOV.UK

Annex one

Local Housing Allowance – Targeted Affordability Funding

(i) What are the important things to consider when deciding which Broad Rental Market Areas are experiencing the most significant issues with affordability of accommodation? For example, we could look at which areas have the greatest shortfalls between LHA rates and market rents, or have the lowest proportion of the market available, or urban or rural areas.

(ii) How, if at all, should we consider difficulties faced by certain groups of claimants, such as young single people, families with children, disabled people, etc?

(iii) Are there other affordability issues that you are aware of for Housing Benefit claimants renting in the private sector that you think need to be considered? Can you provide details or further evidence?