

Crisis briefing: Local Housing Allowance caps in the social sector

December 2016

1. In the Autumn Statement the Government announced that it will cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, including the Shared Accommodation Rate. This will apply to new tenancies from April 2016 but will not come into effect until April 2019. In November 2016 the Government announced that the cap will apply to both new and existing tenants in receipt of Universal Credit.
2. This briefing sets out Crisis' key concerns about the impact of this measure on single under 35 year olds and suggests recommendations for how these might be mitigated.
3. Crisis welcomes the Government's decision to exempt under 35 year olds living in supported housing from the Shared Accommodation Rate, in recognition of the importance of maintaining support for vulnerable younger adults and the insufficiency of the Shared Accommodation Rate to meet the higher costs of support accommodation. We do have some concerns about the impact of continued uncertainty on the supported housing sector, until the full detail of the new funding regime is clarified. This briefing focuses however on the impact on under 35 year olds living in general needs housing.

Key recommendations

- a) **The Government should evaluate the likely impact of the application of the Shared Accommodation Rate to social rented housing, examining in particular whether there is an adequate supply of shared housing**
- b) **In parts of the country where demand outstrips supply, the Shared Accommodation Rate should not be applied in social rented housing and the Government should bring forward measures to address the supply gap**
- c) **The Government should undertake a thorough a review of how the Shared Accommodation Rate is calculated**
- d) **Social landlords should be encouraged to set up shared tenancies for younger adults, provided this is accompanied by a package of support to help those who have experienced homelessness manage and sustain their tenancies**
- e) **The current list of exemptions to the Shared Accommodation Rate should be extended to the following:**
 - **All under 35 year olds with a history of homelessness (including those found statutory homeless)**
 - **People fleeing domestic abuse**
 - **People with dependency issues**
 - **Pregnant women**
 - **Parents with non-resident children**
 - **High risk ex-offenders aged under 25**
 - **Care leavers aged 22 to 34**
 - **A broader range of disabled people**

Under 35 year olds and homelessness

4. Homelessness is rising particularly sharply amongst younger adults. 68 per cent of youth homelessness accommodation providers report seeing an increase in people using their

services in the past 12 months.¹ Since 2011/12 there has been a 53 per cent increase in people sleeping rough aged between 26 and 35 in London, compared to a 42 per cent increase in rough sleeping across all age groups.²

5. Government research has already identified a 13 per cent drop in the caseload of 25 to 34 year olds claiming Local Housing Allowance since the upper age limit of the SAR was extended from 24 to 34 in 2012.³ Landlords and housing advisers interviewed for the research thought that many had had been forced into sofa surfing or rough sleeping.

The impact of capping housing benefit in the social rented sector at the Shared Accommodation Rate

6. Crisis is concerned that capping housing benefit in the social sector at the Shared Accommodation Rate (SAR) will leave many single under 35 year olds with a shortfall between the amount of housing benefit they can claim and their rent.
7. Shared accommodation does not typically exist in the social rented sector, so most under 35s who are eligible for social housing will be eligible for at least a one bedroom self-contained property. Limiting housing benefit at the SAR simply introduces an arbitrary cap on the amount of financial support available to them, rather than aligning rents between the social and private rented sectors– the stated intention of the policy.

How many under 35s are likely to face a shortfall and by how much?

Using 2012/13 lettings data, 86% of housing association tenants affected by an LHA restriction would be subject to the SAR rate with an average weekly shortfall of £22.09, while 97% of affected local authority lettings will face SAR restrictions, with an average weekly restriction of £9.53.⁴

In Scotland affected tenants are expected to experience an average weekly shortfall of £6.22.⁵

In 39 per cent of English local authority areas, average rents for one bed housing association properties are at least £5 per week higher than the Shared Accommodation Rate. In 23 per cent of areas they are at least £10 higher.⁶

8 per cent of English local authorities are expected to see at least a £5 shortfall for council tenants and 4 per cent will see at least a £10 shortfall.⁷

8. The Government has indicated that this reform will ‘help prevent social landlords from charging inflated rent for their properties.’⁸ Crisis is not aware of any analysis into the

¹ Homeless Link (2015) *Young and homeless 2015*

² Greater London Authority (2016) *Chain Annual Bulletin Greater London 2015/16*

³ Department for Work and Pensions (2014) *The impact of recent reforms to Local Housing Allowances*

⁴ National Housing Federation (2016) Research briefing: [Impact of applying LHA rates to general needs social tenants](#) provides a case by case comparison of the shared accommodation rate and the rent charged during the course of 2012/13, the last year in which the CORE lettings dataset can be scrutinised at this level of detail.

⁵ Scottish Federation of Housing Associations (2016) *HM Government Comprehensive Spending Review: the Capping of Social Rents to the Rate of Local Housing Allowance*

⁶ Unpublished analysis of average social rents data and Local Housing Allowance rates by the Chartered Institute for Housing

⁷ Ibid.

⁸ HM Treasury (2015) *Spending Review and Autumn Statement 2015*

feasibility of social landlords adjusting rents over time to bring them within Local Housing Allowance rates, and particularly how this might be achieved for properties with higher service charges such as high rise flats.

9. Even if social landlords were able to reduce their rents to the equivalent Local Housing Allowance rates, it would still leave one bedroom properties priced above the Shared Accommodation Rate in many areas. We are concerned that some social landlords will simply stop letting to single under 35 year olds altogether in response to these proposals. This may be the case even for younger adults who are working, due to the risk that should they need to claim housing benefit it will not cover the rent.

Existing problems with the Shared Accommodation Rate in the private rented sector

10. Crisis is concerned that younger adults will be expected to seek accommodation in the private rented sector if they cannot afford a social tenancy within the cap.
11. There is already a chronic shortage of private rented shared accommodation affordable within the SAR; mystery shopping research conducted by Crisis found that just 13 per cent of advertised rooms are affordable within the rate, falling to 1.5 per cent when accounting for the vast majority of private landlords who are unwilling to let their properties to people on housing benefit.⁹
12. Our housing services similarly report that in some parts of the country the supply of shared private rented accommodation is inadequate to meet demand from people who have experienced homelessness. In areas of high demand, landlords often favour letting to students or young professionals, while in less urban areas there is simply no culture of sharing. Placing increased demand on such a limited supply is likely to leave some under 35s at acute risk of homelessness.
13. Crisis believes **the Government should evaluate the likely impact of the application of the Shared Accommodation Rate to social rented housing, examining in particular whether there is an adequate supply of shared housing** in the private and social sectors to meet demand from low income single under 35s.
14. In parts of the country **where demand outstrips supply, the Shared Accommodation Rate should not be applied in social rented housing and the Government should bring forward measures to address the supply gap (see below).**
15. Crisis is concerned that flaws in the calculation of the SAR may account in part for why so few private rented properties are affordable within the rate. We believe **the Government should undertake a thorough a review of how the Shared Accommodation Rate is calculated**, to ensure it covers the true cost of renting shared accommodation. A rate more reflective of the shared private rented market would benefit both social and tenants, given that the proposals will subject both to this upper limit.
16. Crisis also has concerns about the suitability of privately rented shared accommodation for those who would otherwise be eligible for social housing. In parts of the country where social housing is scarce, single adults who are eligible for social housing will by definition be some of the most vulnerable, given that they will have had to meet a very high threshold of vulnerability to be found in 'priority need' under the homelessness legislation.

⁹ Sanders, B. & Teixeira, L. (2012) *No room available: study of the availability of shared accommodation*. London: Crisis

17. Having to share with others in a private tenancy at the lower end of the market often involves insecure, poor quality properties that are shared with strangers. It is unlikely that those with this level of vulnerability will sustain such tenancies.

Addressing the shared housing supply gap

18. Unless there is a supply of shared housing available to meet the needs of low income single people aged under 35, there is a risk that the introduction of this measure will lead to homelessness.
19. While sharing is unlikely to be appropriate for people with very high support needs, Crisis has worked with schemes across the country that successfully support younger adults into shared tenancies in the private rented sector.
20. This work has shown that for some younger adults who have experienced homelessness, sharing can be a viable housing option. Eighty-four per cent of tenancies created by the Crisis Sharing Solutions Programme, funded by the Department for Communities and Local Government, were sustained for six months or more.¹⁰ This however required resources and staffing to deliver pre-tenancy training and tenancy sustainment support. Younger adults with low to moderate support needs cannot be expected to share without such support.
21. Our recent liaison with social landlords and their representative bodies about the prospects for developing shared tenancies in the social sector demonstrates that few landlords currently offer sharing schemes. While some social landlords are now considering introducing shared tenancies for under 35s, practice in this area is still emerging and there are management and viability challenges to be addressed.
22. **To address the shared housing supply gap, social landlords should be encouraged to convert a proportion of properties for use as shared tenancies for younger adults, provided this is accompanied by a package of support to help those who have experienced homelessness manage and sustain their tenancies.** We urge the Government to bring forward proposals to fund this support, in the light of budgetary pressure on social landlords as a consequence of the 1% rent cut¹¹ and in the context of significant reductions in council budgets for housing related support.¹²
23. In addition the Government could investigate the feasibility of delivering purpose built shared accommodation at the Shared Accommodation Rate, including in rural areas and other regions where there is simply no culture of sharing in the private sector.
24. Measures focussed on increasing supply of shared tenancies sit well alongside employment support services designed to help young people who can work to secure employment and increase earned income, providing pathways to help the under 35s access self-contained housing where they have a preference to do so.

Extending exemptions to the Shared Accommodation Rate

25. Shared tenancies should however only be targeted at those who will be likely to sustain them. To this end, **the current list of exemptions to the Shared Accommodation Rate should be extended**, given that the existing exemptions are insufficient to protect the most

¹⁰ Batty, E., Cole, I., Green, S., McCarthy, L. & Reeve, K. (2015) *Evaluation of the Sharing Solutions programme*. London: Crisis

¹¹ Financial Times (26 July 2015) *Social housing rent reforms to cost councils £2.6 billion*

¹² NAO (November 2014) *The impact of funding reductions on LAs: "Spending on the Supporting People programme, housing support and advice for vulnerable people fell by 45%"*

vulnerable. These widened exemptions should be applied to under 35s living in either social or private rented accommodation, allowing them to claim Local Housing Allowance at the one bed rate. In particular, exemptions should be extended to:

- a) **All under 35 year olds with a history of homelessness (including those found statutory homeless):** there is a limited exemption for 25 to 34 year olds who have lived for at least 3 months in a homeless hostel. But this definition is narrow and only covers hostels whose main purpose is to rehabilitate or resettle people into the community. It also does not cover under 25s who are at particular risk of repeat homelessness.¹³ Crucially, those found statutory homeless should be exempt, given that the local authority will have a duty to house them.
- b) **People fleeing domestic abuse:** people who have experienced violence or abuse may feel unsafe sharing a property with strangers. Female survivors of domestic abuse may be particularly at risk if forced to share with men they do not know.
- c) **People with dependency issues:** people with substance abuse issues may have a negative effect on others in a shared property. For recovering addicts, a shared property may put their progress at risk. Drug taking features in many accounts of shared renting for people who had been homeless.¹⁴
- d) **Pregnant women:** pregnant single women are restricted to the Shared Accommodation Rate until they give birth. This means they have to return to a shared property— most likely shared with strangers— with their new born.
- e) **Parents with non-resident children:** parents living in shared accommodation are often unable to have their children to stay, because it is not a suitable environment for children or there is insufficient privacy or space. This can make it very difficult to maintain a relationship with their children.¹⁵
- f) **High risk ex-offenders aged under 25:** there is an exemption for sexual and violent offenders aged 25 to 34 who are subject to Multi Agency Public Protection Arrangements and being rehabilitated back into the community. This exemption does not apply to those under 25, even though they are likely to present a similar risk to those they have to share with.
- g) **Care leavers aged 22 to 34:** care leavers are only exempt until they reach the age of 22. This means those who have been successfully resettled into self-contained accommodation have to move as soon as they turn 22. The Government's new Care Leaver Strategy commits to reviewing the case to extend the exemption, but only to age 25, meaning they will still be required to move once they turn 25.¹⁶
- h) **A broader range of disabled people:** exemptions apply to under 35 year olds entitled to the Severe Disability Premium, as well as to those who require an extra bedroom for an overnight carer. However these do not apply to many people with serious disabilities or mental or physical health conditions for whom sharing accommodation will often be inappropriate.

For further information, please contact:

¹³ Mackie, P. (2014) *Nations apart? Experiences of single homeless people across Great Britain*. London: Crisis

¹⁴ Crisis (2011) *Unfair Shares: A report on the impact of extending the Shared Accommodation Rate of Housing Benefit*

¹⁵ Ibid.

¹⁶ HM Government (2016) *Keep On Caring: Supporting Young People from Care to Independence*

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