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3 March 2016

Dear Colleagues,

Local Authority and Registered Social Landlord Chief Executives

Introduction of Local Housing Allowance caps in the Social Rented Sector

It was announced in the Autumn Statement and Spending Review 2015 that we will cap the amount of rent that Housing Benefit will cover in the social rented sector to the relevant Local Housing Allowance for new tenancies signed on or after 1 April 2016 (for supported housing this will be 1 April 2017) with Housing Benefit entitlement changing from 1 April 2018 onwards. This includes the shared accommodation rate for single people aged under 35 years.

I understand the importance of ensuring that both those living in supported accommodation and those who provide this type of accommodation receive appropriate protections. This is why we are awaiting the outcome of a Supported Accommodation research project and subsequent policy review, to ensure support is focused on the most vulnerable, and appropriate groups are safeguarded. I consider it important to have this evidence to support any decisions made, before determining the level of any protection for this cohort.

In the meantime, I have decided to put in place a 12 month deferment of this policy for those in supported and sheltered accommodation to 1 April 2017. During this deferral period DWP and DCLG will be working closely together to consider both the impact of the Local Housing Allowance caps on supported housing tenancies in the social sector and to find long-term workable and sustainable solutions for this sector, the taxpayer and the Government.

The Removal of the Spare Room Subsidy (RSRS) will continue to apply for working age tenants but only the highest deduction from either the relevant Local Housing Allowance cap or the RSRS reduction will apply. In addition, the exemptions similar to those that currently apply to the Shared Accommodation Rate in the private rented sector will be replicated for those in the social rented sector.

The changes mean that from 1 April 2016 (for supported housing 1 April 2017) social landlords are strongly encouraged to inform all tenants who sign a new tenancy agreement from this date of the above change. This includes those tenants who renew their tenancies from this date, as well as those who move home or who are new tenants. These tenants may not be receiving Housing Benefit, or the housing element of Universal Credit at this time, but it is best to make them aware that on signing the new tenancy agreement that if they become entitled to these benefits in the future that they could be capped from 1 April 2018.

We would also suggest that even where you believe that tenants may fall into an exempted group that it would be wise to inform them of the change.

I have attached at **Annex A** - a model document for notifying tenants who sign a new or renewal tenancy from 1 April 2016 onwards and for those taking on supported accommodation from 1 April 2017. It contains suggested wording which can be used if you see it as appropriate, whether in full (or edited) to meet the relevant brand guidelines of your organisation.

Yours sincerely,

David

Lord Freud
Minister of State for Welfare Reform