

Raising the Local Housing Allowance

Matthew Waldron – Reviews & Business Improvement Manager



Milton Keynes
City Council

What is the Local Housing Allowance?

The Local Housing Allowance (LHA) was introduced in April 2008 at a replacement to Housing Benefit. Initially calculated at 50% of the cost of local rented accommodation, this reduced to 30% in 2011.

Since 2012, the increases to the rate are based on the rise in the Consumer Prices Index (CPI), even though this means moving away from the 30th percentile.

The rates were frozen in 2020, with some high-cost areas receiving a 3% uplift from Targeted Affordability Funding (TAF).

The LHA against the market in MKCC

Bed size	LHA Rates	Average rent (Index of Private Housing Rental Prices (August 2022))	Cheapest property on Zoopla (14/09/2022)
HMO room	£304.15	£600	£450
Studio	-	£650	£650
1-bed	£649.96	£850	£695
2-bed	£824.94	£1,000	£825
3-bed	£974.93	£1,400	£1,300

As at the 14th of September 2022, no properties on Zoopla were at the Local Housing Allowance.

The LHA was intended to represent the 30th quartile; this means that around 30% of properties should be within the LHA - even with the move to CPI, there should still be a portion of properties within the LHA.

Outside evidence

Crisis and Zoopla published a report called “Falling Short: Housing benefit and the rising cost of renting in England” in August 2022. The data for Buckinghamshire and Milton Keynes was startling:

Below 20% of 1 bedroom properties listed were at the LHA rate

Below 20% of 2 bedroom properties listed were at the LHA rate

Below 10% of 3 bedroom properties listed were at the LHA rate

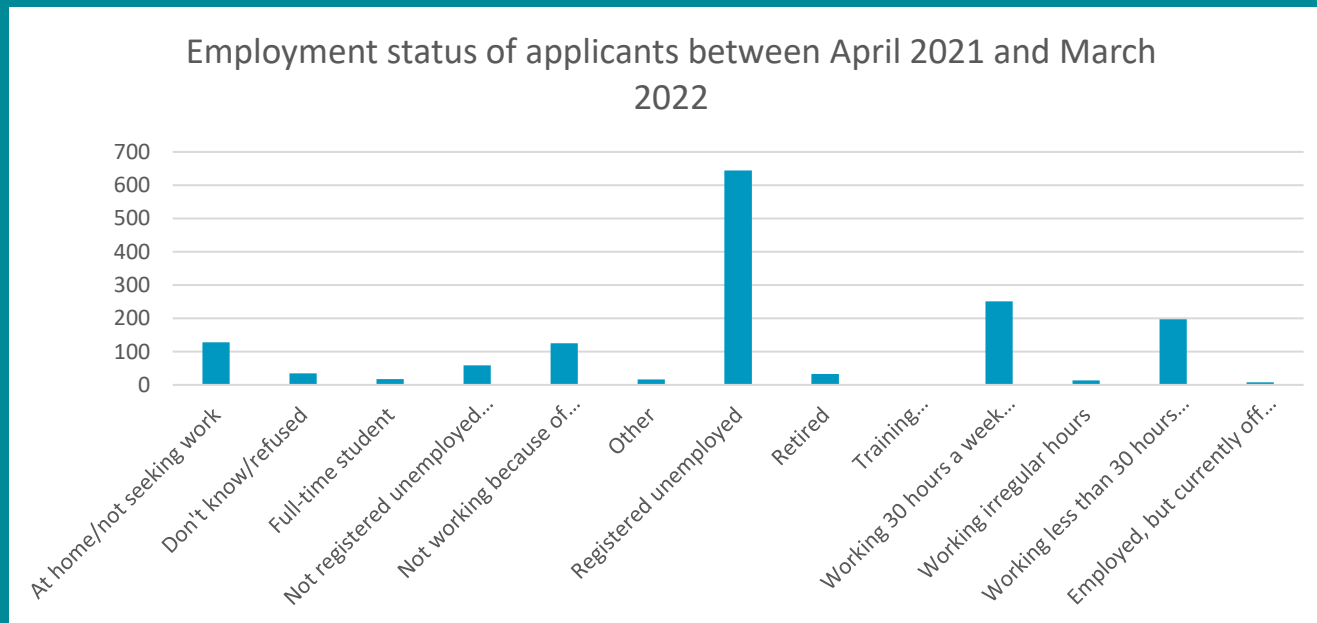
Taking into account that the County as a whole has more affordable properties than Milton Keynes itself, it is likely that the majority of properties at LHA fall outside of Milton Keynes.

Outside evidence

Statxplorer (which allows users to analyse DWP data) show that around 44% of claimants require one-bedroom accommodation, however, listings for such properties are only around 22% of available properties. This means that there is considerable competition for these properties; the nature of supply and demand means that this will drive the price of these properties up.

This is supported by the difficulties that MKCC has in acquiring one-bedroom accommodation in order to fulfil our statutory duties under Part VII of the 1996 Housing Act (as amended). Because of this, we have had to increase our offer; potentially fuelling the cost issues further in order to meet our lawful needs.

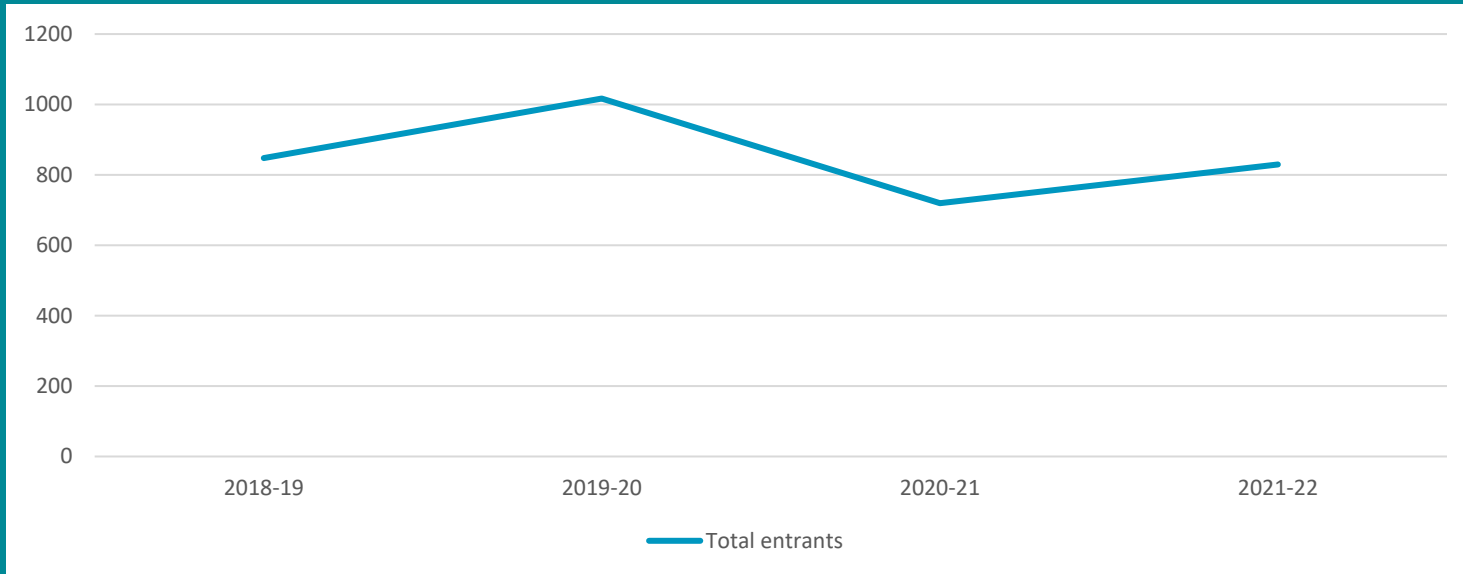
Why is this a problem for MKCC?



Only 16.4% of applicants applying as homeless are working full time; this means that at least 83.6% of households applying as homeless will be reliant on properties at (or below) the Local Housing Allowance in order to live in Milton Keynes.

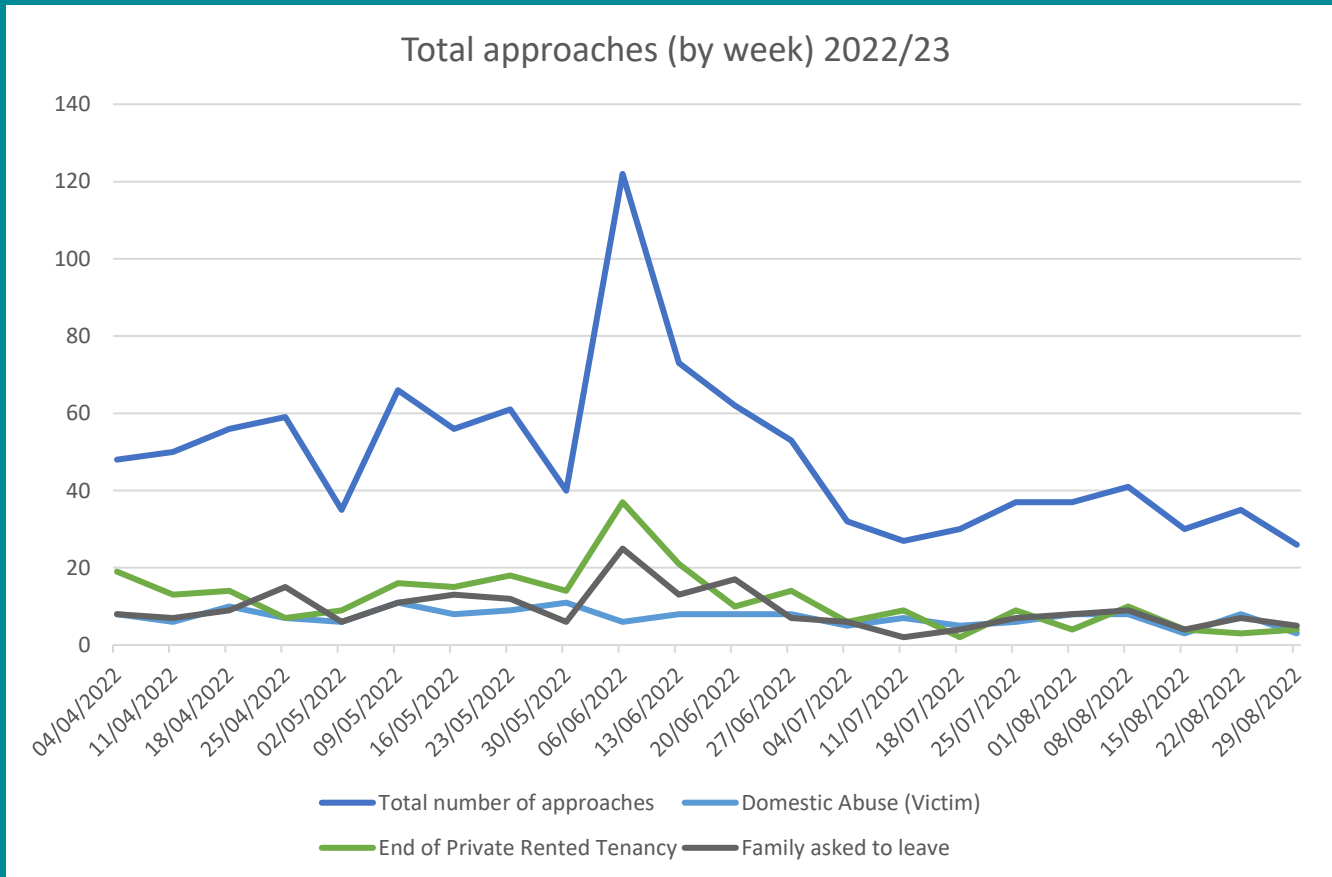
This lack of affordable accommodation will mean that we are unable to assist many households to rent in the private sector; meaning that we are having to make use of Temporary Accommodation.

Year on year entries into TA



We have seen a fairly consistent number of entries into TA over the past few years; so far during 2022/23, we have seen 318 entrants, meaning that we can reasonably expect to be in the region of 650 placements this year; however, this may well increase due to the pressures due to the cost of living.

Current approaches as homeless



We are already starting to see issues such as applicants being asked to leave by family and Domestic Abuse cases creeping above the loss of accommodation in the Private Sector as the leading cause of homelessness.

What does this mean?

The majority of applicants as homeless in Milton Keynes cannot afford to rent properties in the current market at the Local Housing Allowance rate.

This means that Milton Keynes City Council cannot discharge its duties under Sections 195, 189B or 193 of the Housing Act 1996 (as amended) with offers of accommodation in the private sector as it is unaffordable for the majority of applicants.

Because of this, they have to stay in temporary accommodation until the duty is discharged; most likely with an offer of social housing.

Waiting list for Social Housing

Total number of applicants on the housing register is 1922, which is categorised into four bands, the highest priority from A – D:

Band A - 944

Band B - 233

Band C - 361

Band D – 386

This shows that the majority of households on the scheme have an urgent need to move.



Average waiting time for Social Housing

The average waiting times by bedroom size in Band need is detailed below, however waiting times can vary significantly dependent on medical need and areas of choice:

1 Bed	Bands A - B	12 months
	Band C	24 months
2 Bed	Band A – B	18 months
	Band C	30 months
3 Bed	Band A – B	30 months
	Band C –	48 months
4 Bed	Band A – B	42 months



How much would the LHA need to rise?

Bed size	LHA Rates	Projected price to be viable in the current market	Increase
HMO room	£304.15	£500	£195.85
Studio	-	-	-
1-bed	£649.96	£725.00	£75.04
2-bed	£824.94	£900.00	£75.06
3-bed	£974.93	£1,000	£25.07

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Figures based on available properties advertised online.