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OVERVIEW & SCRUTINY PANEL **2 JULY 2013**
(SOCIAL WELL-BEING)

HOUSING AND COUNCIL TAX BENEFIT CHANGES AND THE POTENTIAL IMPACT ON HUNTINGDONSHIRE

(Report by the Head of Customer Services)

1. INTRODUCTION

1.1 The Government's Welfare Reform programme includes significant changes to the Housing and Council Tax Benefit schemes. The Panel has previously received information regarding the changes and the potential impact these were likely to have on households in Huntingdonshire (see appendix A). This report concentrates on the changes that are being introduced from April 2013 onwards. The Panel has requested quarterly updates on the impact of these changes, in particular on homelessness and these figures have been included later in this report.

2. IMPACT & TIMESCALES

2.1 During 2013, the Government is pressing ahead with further changes that will impact many Huntingdonshire residents.

- April 2013 = change to the Local Housing Allowance rates for people renting in the private sector.
- April 2013 = Housing Benefit under occupation rules apply to working age people renting in the social sector.
- April 2013 = the national Council Tax Benefit scheme abolished and replaced with local Council Tax Support schemes.
- July 2013 = introduction of the Benefit Cap which restricts the overall amount of benefits that a household can receive annually to £26k.

A number of other reforms are being introduced during 2013 but aren't administered by HDC:

- Social Fund: prior to April, the DWP made emergency grants and interest free loans for household goods and other living expenses. This has now been devolved to local authorities and in Cambridgeshire it is administered by the County Council. The new Cambridgeshire Local Assistance Scheme (CLAS) helps people, in exceptional circumstances, by providing essential basic furniture, clothing vouchers, removal expenses, assistance with fuel reconnection costs and food packs. No money is given. Applications are made through an authorised agency such as a social worker. At HDC, officers within the Housing Needs Team assist households they are working with if they need may need help through the new scheme.

- Personal Independence Payments: Disability Living Allowance (DLA) was a DWP administered benefit awarded to working age disabled people who incurred additional costs with care or mobility. From June 2013, DLA will gradually be replaced by the Personal Independence Payment (PIP) scheme. Initially, only new claims will be affected by this change. It is anticipated that between 2015 – 2018, people currently on DLA will have their circumstances re-assessed to see if they qualify for PIP.

- Universal Credit (UC): This is the centre piece of the Government's welfare reforms and is designed to simplify the benefit system and to ensure that people are better off in work. It will replace a range of benefits such as Income Support, Jobseeker's Allowance, Child Tax Credit and Housing Benefit. Between October 2013 and the end of 2017, people on the legacy benefits will gradually transfer to UC. A pilot scheme began in the north of England in April and the results of this will determine how the roll out across the rest of the country is managed. We have not been informed when the Housing Benefit caseload from HDC will migrate to UC.

2.2 **Local Housing Allowance**

For people living in privately rented accommodation the rent used in the benefit calculation is based on the Local Housing Allowance. The LHA rates are set by the Valuation Office Agency and were initially based on rents charged locally. However, from April 2013, the LHA rates were increased by the September 2012 CPI figure, and for the next two years they will be increased by 1%. This means that the rents used in the benefit calculation will be set annually and will move away from the previous system where the calculation reflected the local market rates. There will be a report on the agenda for Overview & Scrutiny (Economic Well Being) on 4 July.

2.3 **Under Occupation**

Previously, people living in social housing have had their Housing Benefit worked out using the full eligible rent regardless of the size of accommodation they live in. From April 2013, if a working age claimant is deemed to be living in a property too large for their needs, the rent used in the benefit calculation will be reduced by 14% if they under occupy by one bedroom or 25% if they under occupy by 2 or more bedrooms. The size criteria used will be the same as for people living in the private rented sector. Currently 863 households are affected by this change.

2.4 Last minute changes to the regulations introduced some exceptions to the new rules:

- Foster carers (living in both privately rent and social housing properties) will be allowed <u>one</u> extra bedroom when working out Housing Benefit entitlement.
- An adult son or daughter who is in the armed forces (or reserve forces) and lives with their parents will be treated as living at home when they are away on operations for the purposes of applying the under occupation rules.
- An additional bedroom can be allowed where the disability of a child would mean that they could not share a bedroom with a sibling. Decisions on this are made

on a case by case basis, and have been applied where the child’s disability clearly requires a separate bedroom.

2.5 During the second half of 2012, both the Benefits Section and the Housing Associations contacted people who would be potentially affected by these changes. In April 2013, benefit decision letters were sent to all customers setting out benefit entitlement for the new financial year confirming, where appropriate, that the reduction in their benefit had been made.

2.6 The council established under-occupation partnership continues to meet with a number of local housing providers. This group shares best practice on looking at ways of dealing with the effects of the under occupation changes and ensures that all partners are kept up to date on legislation and processes. Luminus has employed two people on a part-time basis to encourage people to move into appropriately sized accommodation, although they now intend to integrate this work into the normal tasks undertaken by their housing management officers.

2.7 Both the Housing Associations and HDC saw an increase in the amount of customer contact as a result of this change. The Benefits section answered 3375 phone calls from customers during April 2013, an increase of more than 1100 on the same month in the previous year.

2.8 A survey carried out by Luminus in March 2013 found that 63 out of the 627 respondents were interested in moving to mitigate the effects of the changes and 118 were willing to pay the shortfall. 224 had not responded to any of the three mailshots. Luminus will monitor these cases.

2.9 The April 2013 Housing Benefit Rent Allowance expenditure of £2.4m was down £180k on the same month of the previous year which is mainly due to the reduction in Housing Benefit awards to people affected by these changes. There is no financial impact on HDC as Housing Benefits is government funded.

2.10 **Council Tax Support**

The national Council Tax Benefit scheme was abolished from 1 April 2013 and has been replaced by a local Council Tax Support scheme that received Member approval in December 2012.

2.11 In devising a scheme, the council needed to take account of a cut in funding and was required to protect pensioners from any reduction in the support awarded. Under the previous national scheme, subsidy was received from the Department for Work and Pensions based on local authority expenditure. For Council Tax Support, a fixed annual grant will be awarded by the Department for Communities and Local Government and any spend above the grant will be a cost to HDC and the main preceptors. (Police, Fire and County Council)

2.12 The majority of working age people will have to pay at least 20% towards their Council Tax bill. Households with a child under the age of 5 will have to pay at least 15% of their Council Tax charge. Households including a person receiving either the

Child Disability Premium or the Severe Disability Premium will have their benefit assessed on 100% of their liability, and could retain full council tax relief subject to the means test.

2.13 This reform has affected almost 5,000 households that will have to contribute more to their Council Tax bill from April 2013. Some households will be moving from a position of not previously paying anything towards their Council Tax bill whilst others will have to make a larger contribution than before.

2.14 Staff on the Council Tax team have seen an increase in calls from customers and have been discussing different payment options.

2.15 An additional 2,000 reminders for non-payment of Council Tax were sent in early May 2013 compared to the same time last year. Although we are unable to determine whether this increase relates solely to the introduction of CTS, it gives a good indication that over half of the people who were being asked to pay more towards their Council Tax have been doing so. 700 additional summonses compared to the same period last year have been produced. Again, we cannot confirm whether this increase is as a direct consequence of the change or the general economy.

2.16 **Benefit Cap & DHPs**

The introduction of the Benefit Cap has been delayed from April to July 2013 in order for a small pilot scheme to be established in a number of London boroughs. This benefit cap will restrict the amount of out-of-work benefits that a household can claim. The cap will be £500 per week for a family and covers all their benefit entitlement, including Housing Benefit. The latest information from the Department for Works and Pensions (DWP) indicates that there are 44 households in Huntingdonshire that could potentially be affected by the benefit cap if their circumstances do not change. The DWP are in contact with these households to let them know they face their benefits being capped and will work with them to try and resolve their situation so they that are able to reduce their reliance on the benefit system. Given the nature of this cap it mainly affects larger families who the council may have a statutory duty to help if they subsequently became homeless and we have been in contact with some to work through their options if their circumstances do not change before the cap is introduced.

2.17 It will be the responsibility of the local authority to reduce the amount of Housing Benefit awarded to bring the total household income to £500 per week.

2.18 The DWP has increased the Discretionary Housing Payment allocation given to HDC from £56,646 (plus £11,786 carried forward from 2011/12) in 2012/13 to £169,561 in 2013/14 to help mitigate the loss of some households benefit entitlement. The DWP has advised councils that the increase in funding is aimed at helping people affected by the LHA reforms, the under-occupation changes affecting social sector tenants and the benefit cap.

3 Housing Impact

3.1 The position with housing advice and options work, together with homelessness and prevention work between **January and April 2013 (Q4)** was as follows:

- 71 households were prevented from becoming homeless in Q4, compared to 64 in Q4 last year. A total of 290 households prevented from becoming homeless in 2012/13, the same number as in the previous year.

- 43 households were accepted as homeless in Q4 compared to 47 in the same period last year. A total of 190 households have been accepted as homeless in 2012/13 compared to 173 households in the previous year. The causes of homelessness are recorded and we are seeing an increase in the number of households being evicted from private sector tenancies. This is a national and local trend. Locally this is not as a direct result of people falling into arrears but anecdotal evidence suggests it is due to landlords' reluctance to work with claimants on the benefit system or some landlords purely wishing to sell their properties. This trend is likely to have an impact on the availability of affordable private sector housing.

- There were 94 households in temporary accommodation at the end of the quarter compared to 75 at the start.

- There were 13 households in bed & breakfast at the end of the quarter compared to 21 at the start. This is mainly due to the Stonham temporary accommodation coming on line with 6 units in Huntingdon.

- Received 73 Rent Deposit scheme applications in Q4 (compared to 79 in Q4 last year) and assisted 35 of these into private sector tenancies with the help of a loan or bond (compared to 38 in the same period last year). A total of 144 households were helped into private sector tenancies in 2012/13 through the Council's Rent Deposit Scheme compared to 150 households in 2011/12 and 231 in 2010/11.

4. CONCLUSION

4.1 The raft of welfare benefit reforms continues to impact on Huntingdonshire residents. We will continue to work in partnership with our housing association partners and the voluntary sector to find ways to best address the needs to those households affected so that we can minimise the potential for rent arrears and possible homelessness.

4.2 We will monitor the impact of these changes to see what cumulative affect they may have on households within the district together with the knock on demands this may place on the council's services.

4.3 The situation is not as bad as potentially feared, although we remain uncertain about the future impact of these changes.

5. RECOMMENDATION

5.1 The Panel is asked to note the contents of this report

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Appendix A

Date change implemented	Summary of change	HB impact	Housing impact
April 2013	HB entitlement reduced for social rented tenants below pensionable age who are under-occupying their homes	The rent figure used in the HB calculation will be reduced by a percentage based on whether the claimant is over accommodated by one or two bedrooms. The LHA bedroom entitlement rates will be used to assess the number of bedrooms that a household is entitled to. Where a household of working age exceeds this by one bedroom they will have a 14% reduction in the rent figure used in the benefit calculation. Where they exceed it by two or more bedrooms they will have a 25% reduction in the rent figure used. There are currently 863 households affected by this change. We will continue to work with housing providers to identify which households may need to claim a DHP to help offset the loss in benefit. 95 DHP awards have been made so far, and we have committed £50k of the budget.	The review of the council's Lettings Policy, considered by Cabinet in December 2012 incorporated the LHA bedroom entitlement rate as the 'bedroom standard' to be used in assessments and lettings from April 2013. The result will be a more crowded social rented stock but fewer tenancies where Housing Benefits will not cover the full rent charged. There is the opportunity for RSLs to enable tenants who are overcrowded to exchange with households who are affected by these changes, which could lead to an improvement in making best use of stock. (eg Luminus 'Room to Move' scheme) The reduction in Housing benefit entitlement for housing association tenants will potentially lead to higher levels of rent arrears with affected tenants potentially accruing arrears leading to eviction if their rent is not paid.
April 2013	Local Housing Allowance rates will be uprated in line with CPI	LHA rates were set in April 2013 for the remainder of the year. Letters were sent to 1789 customers in December 2012 informing them of the changes to the LHA rules from April 2013. Little feedback/contact was received from customers as a result of this exercise.	If LHA rates don't keep pace with rent levels, over time this will reduce the proportion of private sector properties available to HB claimants.

Date change implemented	Summary of change	HB impact	Housing impact
July 2013	£500 per week cap on benefits claimed. The aim of this is that people who aren't working shouldn't receive more income than the average person/household who is working. The cap has been set at: • £500 per week for couples with or without children and lone parents • £350 per week for a single person with no children If the claimant's income exceeds this cap, their Housing Benefit will be reduced.	There are currently 44 households that will potentially be affected by the Cap. Between July and September, the DWP will notify us as each of the affected cases is processed, so that the local authority can re-assess Housing Benefit entitlement. The Benefit Cap does not apply to households who are in receipt of Working Tax Credit. Claimants need to work at least 24 hours per week in order to qualify for WTC (16 hours for single parents). Affected cases in HDC: • 4 cases exceed the cap by more than £200 per week • 4 cases exceed the cap by between £100 and £199.99 per week • 9 cases exceed the cap by between £50 and £99.99 per week • 14 cases exceed the cap by between £20 and £49.99 per week • 13 cases exceed the cap by between £1 and £19.99 per week	Existing tenants that are unable to pay their rent even after prioritising rent payments from their benefit are likely to accrue arrears leading to possible homelessness. They will potentially apply to the council as homeless as they are no longer able to afford their rent and the council may then have a duty to help with the rehousing of the household. Although this will affect relatively few households they are likely to be larger families who, if threatened with homelessness, may approach the council for further help with housing under the homelessness legislation. The key to avoiding this is the work that the DWP is undertaking with them so as to minimise the impact of the benefit cap.
April 2013	Introduction of localised Council Tax Support to replace Council Tax Benefit	This change is currently affecting 4885 Council Tax Support claimants of working age. The estimated loss of help towards paying Council Tax is as follows: • 416 claimants will lose between £0 and £1.99 per week • 3094 claimants will lose £2 - £3.99 per	This is another change that will affect the amount of each household's income available to cover their rent payments, potentially leading to homelessness if households fall into arrears and face eviction.

Date change implemented	Summary of change	HB impact	Housing impact
		week • 773 claimants will lose £4 - £5.99 per week • 444 claimants will lose £6 - £9.99 per week • 145 claimants will lose £10 - £19.99 per week • 13 claimants will lose £20+ per week	
April 2013	Increase in DHP budget to £169,561 to mitigate the effects of the Housing Benefit changes	As at 10 June 2013, 156 DHP awards have been made; 95 awards to people as a result of the under occupation changes and 69 to people in privately rented accommodation. £50,661 of the total budget has been committed so far with awards generally being given for between 6 and 8 months. A further 50 applications are waiting to be processed. (A total of 225 awards were made in 2012/13)	