

5 JANUARY 2012

**OVERVIEW & SCRUTINY PANEL
(ECONOMIC WELL-BEING)**

**HOUSING BENEFIT CHANGES AND THE POTENTIAL IMPACT ON
HUNTINGDONSHIRE
(Report by the Heads of Customer and Housing Services)**

1. INTRODUCTION

- 1.1 The Government's Welfare Reform programme includes significant changes to the Housing Benefit system. The Panel has requested an update on these changes, shown in the table at appendix A, and the potential impact they may have on some of the residents of Huntingdonshire. It focuses purely on the Housing Benefit changes, paid as a 'Local Housing Allowance' to those households that are assessed as being eligible for help with paying their rent. It does not consider the wider welfare benefit reforms concerning the introduction of Universal Credit, contained within the Welfare Reform Bill and currently going through Parliament.

2. IMPACT & TIMESCALES

- 2.1 The council pays approximately £9 million per annum to 1,900 Housing Benefit claimants renting in the private sector. The changes will result in a reduction of £370k per annum being paid in Housing Benefit. Households facing a reduction in their Housing Benefit entitlement will be awarded between £3 and £70 less per week, depending upon their particular circumstances.
- 2.2 The various changes are being introduced between April 2011 and April 2013. The changes will be implemented immediately for new claims made after the date of their introduction whilst existing claimants will have a period of protection to allow them to try and adjust to the changes, or make alternative housing arrangements. The impact will begin to be felt by existing claimants from January 2012 and so this is when some households may begin to fall into rent arrears and face the threat of eviction and possible homelessness if they are unable to afford to maintain their current home, or find cheaper housing.
- 2.3 The government believes private rents have been inflated over recent years by the Local Housing Allowance dictating minimum rents, whereas this should have been at the 50th percentile. One of the aims of the government's policy, apart from reducing the national Housing Benefit bill, is therefore to reduce minimum rents by setting the Local Housing Allowance at the 30th percentile. At present there are no early indications that landlords have started to reduce their rents and it will be important to monitor whether they do as the restrictions start to take effect on existing tenants from January 2012.

3. CONCLUSION

- 3.1 The changes in the Housing Benefit system:

- i) have the potential to make some households' current homes unaffordable, as their levels of entitlement reduce as their period of protection ends, forcing them to look for alternative, cheaper housing; and
- ii) have the potential to reduce the number of private sector properties available to Housing Benefit claimants, as a result of the lower Local Housing Allowances levels.

3.2 The knock-on effect of this may be to increase the number of households faced with homelessness because of the unaffordability of their current home and/or their inability to find a new home within the Housing Benefit levels that apply to their particular circumstances.

3.3 With no other alternatives available to them a proportion of these households will turn to the council for help. The council has been successful in preventing homelessness in recent years by helping households into private rented tenancies, given the shortage of social rented housing. This option will not be as widely available given the Housing Benefit changes and so will have duties to some of these households under the safety net of the homelessness legislation. The council will incur costs where it has to place some of these households into temporary accommodation because of their homelessness.

5. RECOMMENDATIONS

5.1 The Panel is asked to:

- i) comment on the effect of the changes to the Housing Benefit system; and
- ii) receive a further report drawing together the wider housing policy implications on the council as a result of these and the other welfare reforms contained within the Welfare Reform Bill.

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Appendix A

Date change implemented	Summary of change	HB potential impact	Housing potential impact
April 2011	Local Housing Allowance limited to 30% instead of 50% (average rent amounts)	Annual loss of £230k to HB claimants. 703 households will lose between £3 and £70 per week loss in their HB entitlement.	1 Existing tenants forced to vacate – potentially homeless as no longer affordable. 2 Landlords more reluctant to take on tenants claiming HB, reducing effectiveness of homelessness prevention work
April 2011	Increase in Non-dependent deductions	671 claims potentially affected. HB and CTB will reduce and relatives living in the same household will be expected to make up the shortfall.	If shortfall is not made up households may fall into arrears. Parents may ask their grown up children (over 18) to leave the family home. Most will not be priority need, but may require advice on housing options
April 2011	Government to increase Discretionary Housing Payment funds to councils every year	Increase in DHP grant to £41,422 in 2011/12 (from £30,211). 2012/13 grant is £56,646. However annual loss to claimants predicted to be £370k, so not able to offset impact.	Very few tenants likely to benefit from the extra funds, so impact likely to be as for line 1 above.
January 2012	Shared Accommodation Rate to be applied to single people under 35 (extended from those under 25)	Annual loss of £136k to HB claimants. 72 people will be affected by around £36 per week.	Possible increase in homelessness if tenants cannot make up the shortfall in the rent. Limited options for single people under 35 as relatively small number of Houses in Multiple Occupation in the district.
April 2013	HB entitlement reduced for social rented tenants below pensionable age who are under-occupying their homes	HB will be reduced by a percentage based on whether the claimant is over accommodated by one or two bedrooms. The details of this change are currently being debated as part of the Welfare Reform Bill process and will involve rent restrictions for social rented sector for the first time.	This may result in the government's policy on number of rooms etc being at odds with Housing policy. Housing Lettings Policy will be reviewed to ensure we do not let properties to families that will not be able to afford them due to HB restrictions.
April 2013	Local Housing Allowance rates will be uprated in line with CPI	Currently LHA rates are based on actual rents passing in the private sector. This change would effectively remove the rent officer's functions in establishing LHA rates.	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. Impact as line 1 of table.