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17TH AUGUST 2012

OVERVIEW & SCRUTINY PANEL  
(SOCIAL WELL-BEING)

4TH SEPTEMBER 2012

**HOUSING 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 Benefit system. 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). The Panel requested quarterly updates on the impact of these changes, in particular on homelessness, and these figures have been included later in this report.
- 1.2 As government policy is partly based on the belief that the Housing Benefit system has been driving private sector rent increases in recent years the Panel also requested information on whether private sector rents were adjusting in light of these welfare reforms. This is being monitored through the rents that Housing Benefit is paid against and a further report will be presented to the Economic Well Being Panel in October on this subject. Members of this Panel will also be invited to attend.
- 1.3 Members of the Panel have also asked additional questions about the welfare reforms and impact on housing in Huntingdonshire and these are included later in the report with officer responses.

**2. IMPACT & TIMESCALES**

- 2.1 The reduction in the amount of Local Housing Allowance that is used to work out benefit entitlement has been in place since April 2011. However, as existing tenants had 9 months protection, the effects were not felt until January 2012 onwards. Although some claimants are losing Housing Benefit of up to £70 per week, only a small number of the affected customers have contacted the Housing Benefit or Housing Advice & Options teams for advice. A proportion of these households will have made their own arrangements and be either making up the reduction in their Housing Benefit entitlement, have found cheaper accommodation or negotiated a lower rent with their landlord. The concern still remains those that have not taken up any of these options, or taken up the offer of advice from the council and are currently building up rent arrears on their home. This remains an unknown number.
- 2.2 The wider welfare reforms will also introduce a maximum amount of benefit that a household can claim. The cap will be £500 per week and covers all benefits, including Housing Benefit. It comes into effect from April 2013 and the Department for Works and Pensions (DWP) have advised that there are 38 households in

Huntingdonshire that will potentially be affected by the benefit cap if their circumstances do not change. Given the nature of this cap it is most likely to affect larger families, who the council may have a statutory duty to help if they subsequently became homeless. The DWP has written to these households to explain the changes and their reduced entitlement to the benefits they receive but, as yet, there has been no contact from the affected claimants.

2.3 The position with housing advice and options work, together with homelessness and prevention work at the end of the first quarter of the year is as follows:

- 71 households were prevented from becoming homeless in Q1, compared to 67 in Q1 last year. The most successful prevention measure of helping households into private rented tenancies through the Rent Deposit or Bond schemes is diminishing as a result of the reductions in the Local Housing Allowance rates.
- 41 households were accepted as homeless in Q1 compared to 43 in the same period last year.
- 77 households in temporary accommodation at the end of the quarter compared to 64 at the start. It is likely that the number of households in temporary accommodation will increase this year as a result of limited options in both the private rented and social rented sectors.
- Received 81 Rent Deposit scheme applications in Q1 (compared to 76 in Q1 last year) and assisted 32 of these into private sector tenancies with the help of a loan or bond (compared to 35 in the same period last year).

### **3. ADDITIONAL INFORMATION**

3.1 Members of the Panel previously asked if local housing associations had been approached to assist with the relocation of households that were no longer able to afford to privately rent in the London area. Although it has been reported in the national press that some London Boroughs had approached housing associations in other parts of the country we have been advised by our association partners that they have not been approached. Certain London Boroughs are apparently considering offering a relocation to households that are threatened with homelessness as they are no longer able to privately rent in the capital as a result of the welfare reforms. As yet, this is not an issue for the Huntingdonshire area as we are not aware of a significant migration out of London to this area.

3.2 Members also asked for information on the cost of homelessness prevention compared to dealing with statutory homelessness applications. The Council's work in this area is carried out by the Housing Advice & Options team with the emphasis of our work being to work with customers with housing difficulties at as early a stage as possible to prevent their homelessness. This will be by trying to keep the customer in their current home where appropriate and where not try and help them find a new home, predominately in the private rented sector. Our success in this area has reduced for those customers that need help through the Housing Benefit system to pay their rent.

3.3 The work of the Advice & Options team spans homelessness prevention and statutory homelessness work (and there is overlap where prevention is not possible and leads to a homelessness application). Officers have split these costs to estimate

a cost comparison for the work areas and in 2011/12 a successful homelessness prevention case cost approximately £1230 compared to approximately £1585 for dealing with a household through the statutory homelessness route. This does not however include the significant capital cost of providing a housing association home for those households that are accepted through the statutory homelessness route. It also does not consider the impact on the individual household of going through a homelessness crisis situation.

- 3.4 The key to successful homelessness prevention is having an accessible and affordable privately rented market, particularly for those households reliant on Housing Benefit. Officers are currently pursuing options and initiatives to try and ensure the availability of privately rented housing for our customers given that the social rented sector is unable to meet levels of demand.
- 3.5 Members have enquired about the resource and staffing implications of the on-going welfare reforms. As we approach the MTP budget processes officers are considering these so that appropriate proposals are presented to Members to make decisions on the service areas that they wish to prioritise and resource.

#### **4. CONCLUSION**

- 4.1 The changes in the Housing Benefit system have had little impact so far on existing claimants as they have been under transitional protection. All claimants have been contacted to advise them of their personal changes although relatively small numbers of these households have taken up the offer of advice and help from the council. The issue remains that new claimants have faced problems in acquiring accommodation in the private rented sector, which has resulted in increased demands on the Housing Advice & Options service with limited opportunities in the private rented sector to help these households compared to previous years.
- 4.2 The next tranche of welfare reforms will further impact on the income and circumstances of benefit claimants. Preparatory work is under way to engage with partners, the voluntary sector and other groups to raise awareness of this and to help them to prepare for April 2013.

#### **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 2011	Local Housing Allowance limited to 30% instead of 50% (average rent amounts)	<p>From April to July 2012 there were 158 households that saw a reduction in their HB entitlement between £0.01 and £73.85 per week, with a total annual loss of £62k in HB payments.</p> <p>Between August and December there will potentially be a further 162 households who have a reduction of up to £89 per week in their HB entitlement, with a total annual loss of £70k in HB payments.</p> <p>DHP's have been awarded in a few cases to help make up the shortfall, but there has been little contact from the majority of customers affected.</p>	<p>We have already begun to see a reduction in the number of households able to access the private rented sector due to the reduced LHA rates resulting in fewer homelessness preventions.</p> <p>We have also started to offer some households advice and help where their HB entitlement has reduced – either to find alternative more affordable housing or try to maximise their income. The numbers so far have been relatively low as the impact has not yet been felt due to transitional protection still being in place for many households (ending throughout this year).</p>
April 2011	Increase in Non-dependent deductions	<p>334 HB claims and 398 CTB claims are currently affected. The increase in annual HB deductions since 2010/11 is £133k and CTB is £24k.</p> <p>There has been little contact from customers affected by this change.</p>	<p>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</p> <p>The Housing Advice &amp; Options team has not seen an increase in customers because of this change as yet.</p>
April 2011	Government to increase Discretionary Housing Payment funds to councils every year	<p>Increase in DHP grant to £68,432 in 2012/13 (from £41,422). A further £10k budget is available to help with transitional payments. However annual loss to claimants is predicted to be £370k, so not able to offset impact.</p> <p>Demand has increased slightly compared to the same period last year. The average weekly award is £14.44 per week</p>	<p>Households experiencing reductions in their HB entitlement as a result of these changes are encouraged to make a DHP application as part of our homelessness prevention measures. DHP is only a short term option whilst the household consider other options such as moving to cheaper accommodation or increasing their income. The DHP system is therefore not a long term measure to resolve homelessness. We have already committed £30k of the DHP budget for 2012/13.</p>

Date change implemented	Summary of change	HB impact	Housing impact
		<p>compared to £13.65 per week for 2011 – 12.</p>	
January 2012	<p>Shared Accommodation Rate to be applied to single people under 35 (extended from those under 25)</p>	<p>There is an estimated annual loss of £136k to HB claimants. 72 people will be affected by around £36 per week this year. 12 claims were impacted between Apr and August, 1 case &lt;£10, 1 case between £10-£20, 10 cases between £30-£40.</p> <p>Only a small number of the people affected by this change have contacted the council for advice.</p>	<p>We have started to see a small number of the people affected by this change. There are limited options we can offer apart from advice and possible help through the Rent Deposit scheme to find a room in a shared house. There are relatively few Houses in Multiple Occupation offering shared housing in the district so options are limited.</p>
April 2013	<p>HB entitlement reduced for social rented tenants below pensionable age who are under-occupying their homes</p>	<p>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.</p> <p>Preliminary work shows that around 170 working age households under occupy their homes by two or more bedrooms and 820 working age household under occupy their homes by one bedroom.</p> <p>We have provided housing providers with details of their tenants that we believe will be affected by this change so that we can</p>	<p>A review of the council's Lettings Policy has already begun. As we are part of the sub regional Home-Link scheme the core of the policy must be consistent. The review is considering bringing the bedroom entitlements for applicants in line with the LHA bedroom entitlement regulations which will result in a more crowded social rented stock. The Lettings Policy will be taken through the Scrutiny Panels, Cabinet and Council later this year with a view to implementing the policy by April 2013.</p> <p>The reduction in Housing benefit entitlement for housing association tenants will potentially lead to higher levels of rent arrears with affected tenants who may ultimately face eviction if their rent is not paid.</p>

Date change implemented	Summary of change	HB impact	Housing impact
		begin to work with them to explore their options.	
April 2013	Local Housing Allowance rates will be uprated in line with CPI	LHA rates have been frozen at the April 2012 level for the remainder of the financial year. From April 2013 the LHA rates will increase in line with the CPI rather than the RPI.	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.
April 2013	<p>£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:</p> <ul style="list-style-type: none"> <li>• £500 per week for couples with or without children and lone parents</li> <li>• £350 per week for a single person with no children</li> </ul> <p>If the claimant's income exceeds this cap, their Housing Benefit will be reduced.</p>	<p>The DWP have identified households that may be affected by the cap and have written to them now with advice on how to avoid the cap. There are 38 claimants within the HDC area who may be affected; these are mainly large families living in a mixture of social and privately rented property. The potential loss in benefits ranges from £0.45 per week to £300 per week.</p> <ul style="list-style-type: none"> <li>• 12 households could lose £100+ per week</li> <li>• 5 households could lose between £50 and £100 per week</li> <li>• 9 households could lose between £30 and £49.99 per week</li> <li>• 4 households could lose between £10 and £29.99 per week</li> <li>• 8 families could lose less than £10 per week</li> </ul> <p>However, the full effect will not be felt until Universal Credit is introduced in 2013/14.</p>	Existing tenants will be forced to vacate homes where they can no longer afford the rent once the cap is applied to their total benefit entitlement. 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.

\* The figures in this table may vary throughout the year if claimant's circumstances change prior to the welfare reform coming into effect.