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17 DECEMBER 2012

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

8 JANUARY 2013

CABINET

24 JANUARY 2013

**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 Government policy is partly based on the belief that the Housing Benefit system has been driving private sector rent increases in recent years and so 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 later this week on this subject. Members of this Panel have also been invited to attend.

2. IMPACT & TIMESCALES

- 2.1 The effects of the Government's Welfare Reform programme have been felt by Housing Benefit claimants since April 2011 when the Local Housing Allowance rates used to work out Housing Benefit entitlement were reduced. However, as existing tenants had 9 months protection, the effects were not felt until January 2012 onwards with the final cases losing their transitional protection in December 2012. Although some claimants have lost 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 Further changes will be implemented in April 2013 including the introduction of a benefit cap which will restrict the amount of benefit that a household can claim. The

cap will be £500 per week and covers all benefits, including Housing Benefit. The Department for Works and Pensions (DWP) has advised that there are 30 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 mainly affecting 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 For people living in privately rented accommodation, the rent used in the benefit calculation is based on the Local Housing Allowance (LHA). The LHA rates are set by the Valuation Office Agency and are based on rents charged locally. However, in April 2013, the LHA rates will increase based on the September 2012 CPI figure and for the following two years, they will be increased by 1%. This means that the rents used in the benefit calculation will move away from reflecting the local market rates.
- 2.4 A major change to the way that Housing Benefit is assessed for working age people living in social housing is also being introduced in April 2013. Up until now, people living in social housing will normally have had their Housing Benefit worked out using the full eligible rent regardless of the size of accommodation they live in. The forthcoming changes will mean that if a 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. It is estimated that around 1000 households in Huntingdonshire will be affected by this change.
- 2.5 Both the Benefits Section and the Housing Associations have been contacting people who will be affected by this change to advise them of the potential shortfall in their Housing Benefit from April and what choices they have to mitigate the shortfall.
- 2.6 In addition, Housing Services and Benefits are members of the Under Occupation Partnership Agreement along 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. Regular meetings are held with Luminus to discuss all aspects of the welfare reform changes so that we can take a joined up approach in communicating with Luminus tenants. Luminus have employed two people on a part-time basis to encourage people to move into appropriately sized accommodation.
- 2.7 Council Tax Benefit is being abolished from 1 April 2013 and is being replaced by a local Council Tax Support scheme. The final proposed scheme was presented to Council on 19 December 2012. In devising a scheme, HDC had to take account of a 10% cut in funding and protect pensioners from any reduction in the support awarded. The majority of working age claimants will see a reduction in the amount of help they get towards their Council Tax.
- 2.8 The position with housing advice and options work, together with homelessness and prevention work in the first half of 2012/13 was as follows:

- 59 households were prevented from becoming homeless in Q2, compared to 93 in Q2 last year. A total of 130 households prevented from becoming homeless in Q1 & Q2 compared to 160 households in the same period last year. The most successful prevention measure of helping households into private rented tenancies is diminishing.
- 60 households were accepted as homeless in Q2 compared to 38 in the same period last year. A total of 102 households have been accepted as homeless in Q1 & Q2 compared to 81 households in the same period last 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.
- There were 86 households in temporary accommodation at the end of Q2 compared to 77 at the start.
- 68 Rent Deposit scheme applications were received in Q2 (compared to 85 in Q2 last year) and assisted 35 of these into private sector tenancies with the help of a loan or bond (compared to 43 in the same period last year).

3. RISKS

- 3.1 Each of the welfare reforms outlined in this paper affects the income of those households impacted and as such has the potential to limit their ability to meet their monthly outgoings. The unknown factor is how many households will be forced into a position where they are unable to maintain essential outgoings such as rent and mortgage payments possibly leading to a threat of homelessness. The council has to date seen relatively few households made homeless as a direct result of affordability issues brought on by the welfare reforms. The main impact so far has been fewer privately rented properties available to Housing Benefit claimants resulting in a reduction in the number of successful homelessness preventions by helping people into private rentals. This has contributed to an increase in statutory homeless applications and the need to provide some of these households with temporary accommodation. It is likely that this risk will continue and may increase over the next year or so. An MTP bid (£150k) has been made for extra funds to cover the cost of homelessness.
- 3.2 Many households will be affected by more than one of the welfare reforms and so may see several reductions in their household income throughout the full welfare reform programme. Some of the welfare reforms may only recently have taken effect for households and as other welfare reforms are implemented (such as the reduction of Housing Benefit for working age households in under-occupied social rented housing and the introduction of the new Council Tax Support scheme) the cumulative effect is likely to reduce the ability of households to maintain their monthly outgoings. The full impact of these reforms particularly on homelessness may not be realised for some time as households over time begin to possibly suffer greater financial hardship.
- 3.3 A further impact on the council of reductions in households' income may be their ability to meet their Council Tax payments. The new Council Tax Support scheme

will require nearly all working age people to contribute to their Council Tax even when on out of work and low income or benefits. It will also mean that some people will be faced with bills for hard to collect debts and the percentage rate of Council Tax collection is likely to fall. We are increasing staff in Council Tax to attempt to recover as much as possible of this new debt. An MTP bid for £40k pa has been submitted.

4. CONCLUSION

- 4.1 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 and beyond.

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 November there were a further 125 households who had a reduction of between £1.16 and £93.80 per week in their HB entitlement, with a total annual loss of £62k in HB payments.</p> <p>In December there will potentially be a further 28 households with a reduction of up to £21.92 per week in HB entitlement with a total annual loss of £6.5k</p> <p>(Note: The reduction in benefit for the cases above can also be due to changes in their income)</p>	<p>Throughout 2012 we have seen 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>Relatively few of the households impacted by this change have sought advice from the council despite this being offered. Some may have considered the options open to them – either to find alternative more affordable housing, renegotiate rent levels with their landlord or try to maximise their income – without the need for help from the council.</p> <p>The number of households approaching the council for advice and help because of this change has been very low. The risk to the council is that those households that have only recently lost their transitional protection and not taken the appropriate action or sought advice may face eviction from their current tenancy once their rent arrears start to accrue. The number of households in this situation is not known.</p>
April 2011	Increase in Non-dependent deductions	<p>329 HB claims and 406 CTB claims are currently affected. The increase in annual HB deductions since 2010/11 is £186k and CTB is £35k.</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 & Options team has not seen an increase in customers because of this change.</p>
April 2011	Government to increase Discretionary Housing Payment funds to councils	Increase in DHP grant to £68,432 in 2012/13 (from £41,422). A further £10k budget is available to help with transitional	Households experiencing reductions in their HB entitlement as a result of these changes are encouraged to make a DHP application as part of our

Date change implemented	Summary of change	HB impact	Housing impact
	every year	<p>payments. However annual loss to claimants is predicted to be £370k, so not able to offset impact.</p> <p>There has been a 13% increase in demand compared to the same period last year. (186 awards totalling £49k have been made)</p>	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.
January 2012	Shared Accommodation Rate to be applied to single people under 35 (extended from those under 25)	<p>12 existing claims were impacted between April and August, 1 case <£10, 1 case between £10-£20, 10 cases between £30-£40 per week. No further cases were identified between September and December.</p> <p>Since April 2012, 13 DHP's have been awarded to help people affected by this change.</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.
April 2013	HB entitlement reduced for social rented tenants below pensionable age who are under-occupying their homes	<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>There are 966 households under occupying their homes of which 167 are by 2 bedrooms or more.</p>	<p>The review of the council's Lettings Policy, considered by Cabinet in December, 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.</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
		<p>We contacted HB claimants in early December 2012 to let them know how they will be affected.</p> <p>We are continuing to work with housing providers so that they can also contact their tenants about their options.</p>	
April 2013	Local Housing Allowance rates will be uprated in line with CPI	<p>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.</p> <p>We will start writing to all customers affected by this change in December 2012.</p>	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"> • £500 per week for couples with or without children and lone parents • £350 per week for a single person with no children <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 30 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 £0.70 per week to £260 per week.</p> <ul style="list-style-type: none"> • 4 households could lose £100+ per week • 8 households could lose between £50 and £100 per week • 3 households could lose between £40 and £50 per week • 4 households could lose between £20 and £30 per week • 4 households could lose between £10 and £20 per week 	<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.</p> <p>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 completes with these households so as to minimise the impact of the benefit cap on them.</p>

Date change implemented	Summary of change	HB impact	Housing impact
		<ul style="list-style-type: none"> • 7 households could lose less than £10 per week <p>However, the full effect will not be felt until Universal Credit is introduced in 2013/14.</p>	
April 2013	Introduction of localised Council Tax Support to replace Council Tax Benefit	<p>This change will only affect the 4885 claimants of working age. The estimated loss of help towards paying Council Tax is as follows:</p> <ul style="list-style-type: none"> • 416 claimants will lose between £0 and £1.99 per week • 3094 claimants will lose between £2 and £3.99 per week • 773 claimants will lose between £4 and £5.99 per week • 444 claimants will lose between £6 and £9.99 per week • 145 claimants will lose between £10 and £19.99 per week • 13 claimants will lose £20+ per week 	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.

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