

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Housing Benefit and Council Tax Support Changes and the impact on Huntingdonshire

Meeting/Date: Overview & Scrutiny Panel (Social Well-Being) 10 June 2014

Executive Portfolio: Customer Services

Report by: Head of Customer Services

Ward(s) affected: All

Executive Summary:

To provide the Panel with information on how the Government's Welfare Reform programme has impacted households in Huntingdonshire in particular with relation to Housing Benefits, Council Tax Support and homelessness.

The changes implemented during 2014 reduced the benefit awards for a significant number of customers and some people have been affected by more than one reform.

Changes during 2014:

Local Housing Allowance: the rent figures used in the benefit calculation for private tenants no longer follow local market forces.

Social Sector Size Criteria Rules: benefit reduced for working age people deemed to live in properties too large for them. The number of households affected reduced from 816 at April 2013 to 746 at March 2014.

Council Tax Support: around 5000 working age households affected by introduction of the local Council Tax Support scheme had to pay more towards their Council Tax. The collection rate for 2013/14 was 98.3%, a reduction of 0.2% on the previous year.

Benefit Cap: relatively few people in Huntingdonshire affected.

Discretionary Housing Payments: there was a 190% increase in applications during 2013/14 primarily as a result of the Social Sector Size Criteria rules.

Recommendation(s):

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

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 The Government's Welfare Reform programme has had a significant impact on Housing Benefit and Council Tax Benefit/Support. This report sets out how these changes have affected Huntingdonshire residents.

2. BACKGROUND

- 2.1 The Panel has previously asked for information on what impact the welfare reform changes have had on Huntingdonshire residents in particular what effect it is had on the homelessness situation. This report provides a review of the impact during the financial year 2013/14.

3. ANALYSIS

3.1 Local Housing Allowance

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 (VOA) and were initially reviewed monthly and took account of rents charged locally. From April 2013, the LHA rates were set for the financial year and increased by the September 2012 CPI figure. For 2014/15 they have been set at the lower of the 30th percentile of a list of local rents compiled by the VOA or increased by 1%. Properties coming under the Cambridge area saw an increase of 4% to take account of the high level of rents generally in that area. These changes mean that the rents used in the benefit calculation are now set annually and are no longer directly linked to the local market rates that are charged. Appendix A shows the movement of LHA rates since 2012.

The rent figures used in the benefit calculation for private tenants are generally reducing or staying the same and so aren't necessarily keeping up with local market forces

3.2 Social Sector Size Criteria

Prior to April 2013, the Housing Benefit entitlement of people living in social housing did not take account of the size of accommodation they lived in. However, since 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 is 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 is the same as that used for people living in the private rented sector.

- 3.3 This has proved to be the most high profile of the welfare reform changes. There have been a number of legal challenges which has resulted in local authorities being able to allow an extra bedroom in the benefit calculation where a disabled child cannot share a room with a sibling but this cannot be applied where a husband and wife are unable to share a bedroom due to disability. Appeals are now being heard around the country on individual cases and the outcomes are very much dependent on the particular circumstances of the case.

- 3.4 The DWP increased the amount of Discretionary Housing Payment (DHP) funding for local authorities to help people struggling to pay the shortfall in their Housing Benefit including where they have been adversely affected by the introduction of this social sector size criteria restriction. Details of the number of

people affected by this reform and the number of DHP awards made can be seen in Appendix A.

- 3.5 During 2013/14, the amount of Housing Benefit paid to people living in Housing Association accommodation was £25.1m, a reduction of £758k on the previous year. There is no financial impact on HDC as Housing Benefits is government funded.

The number of people affected by the social sector size criteria rules is reducing

3.6 **Council Tax Support (CTS)**

The national Council Tax Benefit scheme was abolished from 1 April 2013 and replaced by a local Council Tax Support scheme. This coincided with a cut in funding from government. Pensioners had to be protected in full from any reduction in financial support so the reduction in funding fell solely on working age customers claiming help with paying their Council Tax. The HDC local scheme means that the majority of working age benefit customers have to pay at least 20% of their Council Tax charge.

- 3.7 This reform has affected almost 5,000 households that have had to contribute more to their Council Tax bill. Some households have moved from a position of not previously paying anything towards their Council Tax bill whilst others have had to make a larger contribution than before. The number of working age customers in receipt of Council Tax Support at the end of March 2014 was 4,316 compared to 4,973 in receipt of Council Tax Benefit as at the end of March 2013. Whilst improved economic circumstances may be a factor in this reduction, it is estimated that the majority is due to non-qualification under the new Council Tax Support rules. Appendix A shows details of the initial estimated spend and the actual outturn.

- 3.8 The Council Tax team's approach to collecting the debt was one of working with the taxpayers, especially those paying Council Tax for the first time, and signposting them to relevant agencies for financial help and advice. However, the number of reminders sent to customers increased by around 7,000 and summons and liability orders were up by approximately 1,400. But because of the approach taken by the team, the number of cases sent to bailiffs dropped by around 300. Anecdotally, it has been the low income working families who have contacted the team most with issues about paying.

- 3.9 The in-year collection rate for 2013/14 was 98.3%, a reduction of 0.2% on the previous year. (The collection rate for April 2014 was 10.15% compared to 9.88% for 2013/14.)

- 3.10 The scheme has not been changed for 2014/15 but will be reviewed for 2015/16 to ensure it reflects the latest Council priorities and remains within budget.

- 3.11 The Council Tax team have faced more challenges from owners and landlords over the maximum one month discount between tenancies (which used to be up to 6 months) and the empty homes premium (50% after 2 years) which were brought in as technical reforms to help offset the cost of the Council Tax Support scheme.

Council Tax collection rate for 2013/14 remains high despite reduction in the amount of Council Tax Support awards to working age customers

3.12 **Benefit Cap**

The Benefit Cap was introduced in Huntingdonshire in July 2013. The cap restricts the amount of out-of-work benefits that a household can claim and is set at £500 per week for a family (£350 for single people) and covers all of their benefit entitlement, including Housing Benefit. Although the DWP calculate the income for the cap, it is the responsibility of the local authority to reduce the amount of Housing Benefit awarded to bring the total household income to £500 per week. In Huntingdonshire, the cap has been applied to only 26 cases since its introduction and details of the amounts involved can be found in Appendix A. The cap has affected larger families who the council may have a statutory duty to help if they subsequently became homeless and consequently HDC officers have been proactive with some customers prior to the cap's introduction in order to work through their options and to give advice.

The cap has only affected very few people living in Huntingdonshire

3.13 **Discretionary Housing Payments (DHP)**

Each year, the DWP allocates a budget to local authorities to allow them to award Discretionary Housing Payments for housing costs not met through Housing Benefit. The 2013/14 HDC DHP allocation was £169,561, up from £56,646 in 2012/13. The DWP advised councils that the increased funding was aimed at helping people affected by the LHA reforms, the social sector size criteria changes and the benefit cap. The demand for DHP's in 2013/14 was significantly higher than in any previous year. Details of the awards made can be seen in Appendix A. The allocation for 2014/15 is £187,398.

DHP claims up by 190% in 2013/14 primarily as a result of the Social Sector Size Criteria rules

3.14 **Universal Credit (UC)**

Universal Credit will replace a number of welfare benefits including Housing Benefit for working age people. DWP had indicated that it would be fully implemented by 2017, however the roll out is slower than initially planned and there is no indication of when HDC will be affected. UC will be administered by the DWP and so the impact on HDC will be significant. DWP is currently looking at the role that local authorities could play in UC especially in assisting and supporting the more vulnerable customers to access the scheme. With the DWP concentrating on bringing in the single tier pension during 2016, they have advised that Housing Benefit for pensioners will remain under LA administration until at least 2017/18.

National Universal Credit roll out delayed

4. **KEY IMPACTS**

- 4.1 The impact of the welfare reforms highlighted earlier in this report is twofold. Firstly, many households reliant on the welfare system have seen a reduction in the level of their income available to help meet their housing costs which may potentially lead to increasing debt, rent/mortgage arrears and possible homelessness. Secondly, fewer privately rented properties are now available at a level that would be affordable to households that are reliant on Housing Benefit to help pay their rent. The risk is that given these circumstances an

increasing number of households may become threatened with homelessness and see their only affordable housing option as the social rented sector.

4.2 One area that has been noticeably affected is the number of households threatened with homelessness that have been helped into privately rented properties as a means of resolving their housing need. Over the last few years this has been the Council's most successful means of preventing homelessness and although a significant number of households are still being helped via this route, there is a downward trend given that fewer privately rented properties appear to be affordable and accessible to households reliant on Housing Benefit.

4.3 The position with housing advice and options work, together with homelessness and prevention work in 2013/14 was as follows:

- A total of 218 households were prevented from becoming homeless in 2013/14, compared to 290 in the previous year.
- A total of 167 households were accepted as homeless in 2013/14 compared to 190 households in the previous year.
- 86 households were in temporary accommodation secured by the Council at the end of March 2014 compared to 94 at the end of March 2013.
- A total of 131 households threatened with homelessness were helped into private sector tenancies in 2013/14 through the Council's Rent Deposit Scheme compared to 144 households in the previous year.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 The Council Tax Support scheme will be reviewed later in 2014/15 to ensure that it remains within budget and continues to meet the Council's priorities.

6. CONSULTATION

6.1 Any significant changes to the Council Tax Support scheme will be consulted on.

7. LEGAL IMPLICATIONS

(Comments from the Head of Legal & Democratic Services)

7.1 There are no legal implications relating to this report.

8. RESOURCE IMPLICATIONS

(Comments from the Accountancy Manager)

8.1 The series of welfare reforms contained within this report has the potential to:

- Affect the Council Tax collection rates as household incomes struggle to meet household bills.
- Affect levels of homelessness within the district leading to a possible increase in the use of temporary accommodation and the costs associated with this.

8.2 In year impacts will be met from with current resources. However, any future impacts will be considered as part of the 2015/16 budget setting process.

9. REASONS FOR THE RECOMMENDED DECISIONS

(Summary leading to the Recommendations)

9.1 The report highlights the welfare reforms that have taken place to date and others that we are aware of that will take place in the future.

10. LIST OF APPENDICES INCLUDED

Appendix A – Housing Benefit reform impact

CONTACT OFFICER

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Appendix A

Housing Benefit reform impact

Date change implemented	Summary of change	HB impact	Housing impact																																																																								
April 2013	Local Housing Allowance restrictions	<table border="1"> <thead> <tr> <th data-bbox="696 336 1010 368">Huntingdon Area</th> <th data-bbox="1010 336 1167 440">2012 - 13 weekly LHA</th> <th data-bbox="1167 336 1323 440">2013 - 14 weekly LHA</th> <th data-bbox="1323 336 1480 440">2014 - 15 weekly LHA</th> </tr> </thead> <tbody> <tr> <td data-bbox="696 440 1010 472">Shared Accommodation</td> <td data-bbox="1010 472 1167 504">£63.50</td> <td data-bbox="1167 472 1323 504">£63.50</td> <td data-bbox="1323 472 1480 504">£64.14</td> </tr> <tr> <td data-bbox="696 504 1010 536">1 bedroom rate</td> <td data-bbox="1010 504 1167 536">£103.85</td> <td data-bbox="1167 504 1323 536">£103.85</td> <td data-bbox="1323 504 1480 536">£103.85</td> </tr> <tr> <td data-bbox="696 536 1010 568">2 bedroom rate</td> <td data-bbox="1010 536 1167 568">£125.77</td> <td data-bbox="1167 536 1323 568">£126.92</td> <td data-bbox="1323 536 1480 568">£121.15</td> </tr> <tr> <td data-bbox="696 568 1010 600">3 bedroom rate</td> <td data-bbox="1010 568 1167 600">£150.00</td> <td data-bbox="1167 568 1323 600">£150.00</td> <td data-bbox="1323 568 1480 600">£144.62</td> </tr> <tr> <td data-bbox="696 600 1010 632">4 bedroom rate</td> <td data-bbox="1010 600 1167 632">£207.69</td> <td data-bbox="1167 600 1323 632">£212.26</td> <td data-bbox="1323 600 1480 632">£196.15</td> </tr> <tr> <th data-bbox="696 671 1010 703">Cambridge Area</th> <th data-bbox="1010 671 1167 775">2012 - 13 weekly LHA</th> <th data-bbox="1167 671 1323 775">2013 - 14 weekly LHA</th> <th data-bbox="1323 671 1480 775">2014 - 15 weekly LHA</th> </tr> <tr> <td data-bbox="696 775 1010 807">Shared Accommodation</td> <td data-bbox="1010 807 1167 839">£75.00</td> <td data-bbox="1167 807 1323 839">£76.75</td> <td data-bbox="1323 807 1480 839">£79.72</td> </tr> <tr> <td data-bbox="696 839 1010 871">1 bedroom rate</td> <td data-bbox="1010 839 1167 871">£120.00</td> <td data-bbox="1167 839 1323 871">£120.00</td> <td data-bbox="1323 839 1480 871">£124.80</td> </tr> <tr> <td data-bbox="696 871 1010 903">2 bedroom rate</td> <td data-bbox="1010 871 1167 903">£135.00</td> <td data-bbox="1167 871 1323 903">£137.97</td> <td data-bbox="1323 871 1480 903">£139.35</td> </tr> <tr> <td data-bbox="696 903 1010 935">3 bedroom rate</td> <td data-bbox="1010 903 1167 935">£156.92</td> <td data-bbox="1167 903 1323 935">£160.37</td> <td data-bbox="1323 903 1480 935">£166.78</td> </tr> <tr> <td data-bbox="696 935 1010 967">4 bedroom rate</td> <td data-bbox="1010 935 1167 967">£206.54</td> <td data-bbox="1167 935 1323 967">£207.69</td> <td data-bbox="1323 935 1480 967">£216.00</td> </tr> <tr> <th data-bbox="696 1007 1010 1038">Peterborough Area</th> <th data-bbox="1010 1007 1167 1110">2012 - 13 weekly LHA</th> <th data-bbox="1167 1007 1323 1110">2013 - 14 weekly LHA</th> <th data-bbox="1323 1007 1480 1110">2014 - 15 weekly LHA</th> </tr> <tr> <td data-bbox="696 1110 1010 1142">Shared Accommodation</td> <td data-bbox="1010 1142 1167 1174">£56.58</td> <td data-bbox="1167 1142 1323 1174">£57.50</td> <td data-bbox="1323 1142 1480 1174">£56.58</td> </tr> <tr> <td data-bbox="696 1174 1010 1206">1 bedroom rate</td> <td data-bbox="1010 1174 1167 1206">£91.15</td> <td data-bbox="1167 1174 1323 1206">£91.15</td> <td data-bbox="1323 1174 1480 1206">£91.15</td> </tr> <tr> <td data-bbox="696 1206 1010 1238">2 bedroom rate</td> <td data-bbox="1010 1206 1167 1238">£113.08</td> <td data-bbox="1167 1206 1323 1238">£114.23</td> <td data-bbox="1323 1206 1480 1238">£114.23</td> </tr> <tr> <td data-bbox="696 1238 1010 1270">3 bedroom rate</td> <td data-bbox="1010 1238 1167 1270">£126.92</td> <td data-bbox="1167 1238 1323 1270">£129.71</td> <td data-bbox="1323 1238 1480 1270">£131.01</td> </tr> <tr> <td data-bbox="696 1270 1010 1302">4 bedroom rate</td> <td data-bbox="1010 1270 1167 1302">£161.54</td> <td data-bbox="1167 1270 1323 1302">£165.09</td> <td data-bbox="1323 1270 1480 1302">£166.74</td> </tr> </tbody> </table>	Huntingdon Area	2012 - 13 weekly LHA	2013 - 14 weekly LHA	2014 - 15 weekly LHA	Shared Accommodation	£63.50	£63.50	£64.14	1 bedroom rate	£103.85	£103.85	£103.85	2 bedroom rate	£125.77	£126.92	£121.15	3 bedroom rate	£150.00	£150.00	£144.62	4 bedroom rate	£207.69	£212.26	£196.15	Cambridge Area	2012 - 13 weekly LHA	2013 - 14 weekly LHA	2014 - 15 weekly LHA	Shared Accommodation	£75.00	£76.75	£79.72	1 bedroom rate	£120.00	£120.00	£124.80	2 bedroom rate	£135.00	£137.97	£139.35	3 bedroom rate	£156.92	£160.37	£166.78	4 bedroom rate	£206.54	£207.69	£216.00	Peterborough Area	2012 - 13 weekly LHA	2013 - 14 weekly LHA	2014 - 15 weekly LHA	Shared Accommodation	£56.58	£57.50	£56.58	1 bedroom rate	£91.15	£91.15	£91.15	2 bedroom rate	£113.08	£114.23	£114.23	3 bedroom rate	£126.92	£129.71	£131.01	4 bedroom rate	£161.54	£165.09	£166.74	If LHA rates do not keep pace with rent levels, over time this will reduce the proportion of private sector properties available to HB claimants. Further demand may therefore arise through homelessness and be placed on the social rented sector.
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April 2013	Social sector size criteria for working age customers	<p>The rent figure used in the HB calculation has been reduced by a percentage based on whether the claimant is over accommodated by one or two bedrooms. The LHA bedroom entitlement rates are 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 have a 14% reduction in the rent figure used in the benefit calculation. Where they exceed it by two or more bedrooms they have a 25% reduction in the rent figure used.</p> <p>At 1/4/13, 816 households were affected by this change. 683 were under occupying by one bedroom and 133 by two or more bedrooms. At 31/3/14, 746 households were affected. 622 were under occupying by one bedroom and 124 by two or more bedrooms.</p>	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.
July 2013	Benefit cap applied to working aged customers	<p>In total, 26 households were affected by the cap between July 2013 and March 2014. 17 households live in housing association accommodation and 9 in privately rented accommodation.</p> <p>2 cases saw a reduction in HB of more than £200 per week 3 cases saw a reduction in HB of between £100 and £200 per week 9 cases saw a reduction in HB of between £50 and £100 per week 7 cases saw a reduction in HB of between £25 and £50 per week 5 cases saw a reduction of up to £25 per week 3 households had 7 children 3 households had 6 children 8 households had 5 children 8 households had 4 children 4 households had 3 children</p>	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.

April 2013	Increase in Discretionary Housing Payment allocation	2013/14 budget: £169,561 2013/14 spend: £162,181 Social Size Criteria: 401 awards made totalling £90,559.99 LHA restriction: 165 awards made totalling £46,831.29 Benefit Cap: 15 awards made totalling £17,124.09 Other: 33 awards made totalling £7,665.63	An increased DHP budget may help some households maintain properties that would otherwise be unaffordable, helping avoid crisis homelessness situations from developing as a result of rent arrears.
April 2013	Council Tax Support	2013/14 estimated budget: £7,246,655.22 2013/14 spend: £7,170,721.14	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.