

# WELFARE REFORM BRIEFING

## HOUSING BENEFIT

Updated 27 March 2011

### Background

The UK government's ongoing reform of the welfare system will have a major impact on people using support and homelessness services and consequently on the organisations providing them. This briefing outlines some of the most pertinent recent and upcoming changes to housing benefit. In particular it is anticipated that, due to the impact on people's income, the following changes are likely to increase demand for advice, homelessness and support services:

- Local Housing Allowance set at 30% of market rent instead of 50%
- HB and CTB non-dependent deductions to be increased and phased in over 4 yrs
- Shared accommodation rate age limit increased from under 25 to under 35 years old
- LHA increased by Consumer Price Index instead of the actual percentage market rents
- Capping benefits to working age tenants of social housing who live in a property that is considered larger than they need

The following are likely to impact on the ability of organisations to meet the needs of homeless people:

- Subsidy to LA leased accommodation cap
- Using the LA leasing subsidy calculation as basis for assessing a reasonable rent in HA leased and owned properties used to provide temporary accommodation for homeless people
- Local Housing Allowance set at 30% of market rent instead of 50%
- Shared accommodation rate age limit increased from under 25 to under 35 years old
- LHA increased by Consumer Price Index instead of the actual percentage market rents

It is important to highlight that at this point, apart from the changes detailed below which will specifically affect tenants of all tenures (HB and CTB non-dependent deductions), the changes outlined in this briefing **do not apply to exempt accommodation**, that is accommodation provided by registered landlords, charities or voluntary organisations where care, supervision or support is also provided. A consultation on new arrangements for this type of accommodation is anticipated early this year.

**Please note:** This briefing has been revised to take account of the proposal to reduce housing benefit to people who have been receiving Job Seekers Allowance for 12 months being dropped. Future changes may occur and we will endeavour to keep you up-to-date with developments.

We would like to acknowledge the help of the following people/organisations in putting this briefing together:

- K. Thomas, WAG
- J. Thomas, Cardiff City Council
- R. Williams, Pennaf Housing Group
- W. Jones, Shelter Cymru

## Briefing Format

This briefing is set out as follows:

### 1. Chronological Summary of Changes

### 2. Changes affecting tenants of private landlords:

- Capping LHA
- Moving from 50% of market rent to 30% as calculation for LHA
- Removal of the £15 excess paid to some LHA claimants
- Non-dependent deductions in HB and CTB to be increased and phased in over 4 years (also applies to tenants of general needs social housing)
- Shared accommodation rate age limit to increase from under 25 to under 35 years old
- LHA increased by CPI

### 3. Changes affecting people living in general needs social housing:

- Capping benefits to working age tenants who live in a property that is considered larger than they need
- Also see above for non-dependent deductions of HB and CTB

### 4. Changes affecting the subsidy for temporary accommodation:

- LA leased temporary accommodation
- HA leased properties
- HA owned properties

### 5. Tenants of social landlords where care, supervision or support is provided (supported housing)

### 6. Cymorth activities in response to welfare reform

### 7. Useful websites and links

## Glossary of terms/abbreviations:

- HB – housing benefit
- JSA – job seekers allowance
- LHA – local housing allowance
- LA – local authority
- HA – housing association
- PRS – private rented sector
- DWP – Department of Work and Pensions
- CTB – council tax benefit
- CPI – consumer price index
- HALs – housing association leasing schemes

## 1. Chronological overview of changes

When	Change	Who the change will have an impact on
April 2010	Subsidy to LA leased accommodation capped	LAs that have entered into leasing arrangements and the people accessing temporary accommodation provided in this way.
April 2011	<p>Capping Local Housing Allowance (LHA)</p> <p>Local Housing Allowance set at 30% of market rent instead of 50%</p> <p>Removal of the £15 excess paid to some LHA claimants.</p> <p>Using the LA leasing subsidy calculation as basis for assessing a reasonable rent in HA leased and owned properties used to provide temporary accommodation for homeless people.</p> <p>HB and CTB non-dependent deductions to be increased and phased in over 4 yrs.</p> <p>Direct payments provision broadened (within specific circumstances).</p> <p>Transitional protection around some changes.</p> <p>Additional bedroom for non-resident carer</p>	<p>People providing/living in/wanting to access the PRS. Most impact in and around London.</p> <p>People providing/living in/wanting to access the PRS. Will have an impact in Wales.</p> <p>People providing/living in the private rented sector. Will have an impact in Wales.</p> <p>HAs providing and people living in temporary accommodation used to discharge the LA homelessness duty. Will have some impact in Wales.</p> <p>All tenures and types of accommodation where a claimant has non-dependents living with them.</p> <p>Private sector tenants and landlords and support organisations using the PRS for move-on. Impact likely to be minimal across UK.</p> <p>Tenants and landlords in PRS.</p> <p>Private sector tenants who require overnight care.</p>
Jan 2012	Shared accommodation rate (sometimes called single room or shared room rate) age limit increased from under 25 to under 35 years old.	People providing/living in/wanting to access the PRS. Will have an impact in Wales.
April 2013	<p>LHA increased by Consumer Price Index instead of the actual percentage market rents.</p> <p>Capping benefits to working age tenants of social housing who live in a property that is considered larger than they need.</p>	<p>Will impact on people providing/living in/wanting to access the PRS.</p> <p>General needs social housing landlords and tenants.</p>
TBC early 2011	Consultation on new arrangements re: exempt accommodation.	Organisations providing and people using accommodation where support, care or supervision is also provided.

## 2. Changes affecting tenants of private landlords

### **Capping LHA**

From April 2011 Local Housing Allowance will be capped. This is the key change the media has focused on and which will have most impact in London and surrounding areas. Analysis by the Rent Officers Service in Wales suggests that it won't have a significant impact in Wales.

LHA Caps per week:

- £250 for 1 bed
- £290 for 2 bed
- £340 for 3 bed
- £400 for 4+ bed

### **Moving from 50% of market rent to 30% as calculation for LHA**

Currently, most tenants of private landlords who are claiming HB receive LHA which limits the amount they receive, regardless of what they pay. Currently LHA is calculated on the median market rent in a defined "Broad Market Rental Area" for the size of property the claimant is judged to need up to a 5 bedroom property.

From April 2011 the LHA will no longer be calculated on the median market rent but on the 30<sup>th</sup> percentile. This will have an impact in Wales on people's ability to afford private rented accommodation. In simple terms, on average the amount of private rented properties available to people for which HB will cover the whole rent will be reduced by 20% across Wales from around 50% of all properties in the market area to approximately 30%. This does not take into account existing limitations on access when private landlords are unwilling to rent to people in receipt of benefits.

The Rent Officers Service has made calculations regarding affordability and availability in different parts of Wales (see Appendix 1).

### **Removal of the £15 excess paid to some LHA claimants**

The excess payment was introduced by the previous government as a way of incentivising tenants to find cheaper accommodation. Where they found accommodation with a rent lower than the LHA they could receive a payment of the difference up to £15. This is being discontinued from April 2011. Although most LHA claimants receive no excess payments, on DWP figures this will affect 39% of claimants with an average loss of £10 per week with people living in larger properties losing the most.

In Wales, the DWP estimates 63% of claimants receive less LHA than their rent charged in comparison to the 48% across the UK.

**Non-dependent deductions to be increased and phased in over 4 years (applies to all tenants – all tenures)**

This will apply both to HB and Council Tax Benefit. Deductions are made from the HB and CTB claim if there are non-dependents living in the same property. The deductions haven't been updated since 2001. The amount deducted will increase from April 2011 until by 2014 they will be at the level they would have reached if they had been increased in line with rents and council tax. It will impact on people's overall income and possibly on willingness or ability to share accommodation. It may also result in an increase in homelessness presentations as older children are asked to leave the family home for financial reasons.

See Appendix 2 for figures showing the amount last year and revised amount for 2011 depending on which main benefit the claimant is receiving.

**Shared accommodation rate age limit to increase from under 25 to under 35 years old**

At the moment, people accessing private rented accommodation who are under 25 receive HB assessed as reasonable for a single room with shared facilities in the market area. It is intended that this will be extended to people under 35 in January 2012.

We anticipate this will have an impact on homelessness organisations trying to move people on from temporary accommodation.

**LHA increased by Consumer Price Index (CPI)**

Housing Benefit is currently increased in line with local rents. From April 2013 LHA will be increased in line with the CPI. This doesn't include housing costs and the Government expects this move, along with other changes to the benefit system, to reduce rent increases. There is no evidence to support this assumption however and as since 1991 rents have increased at 2.57% above CPI, many commentators believe that it will lead to a greater gap between the LHA being received and the rent charged.

**Direct payments provision**

Circular HB/CTB A25/2010 ( <http://www.dwp.gov.uk/docs/a25-2010.pdf> ) paras. 30 - 32 outline amendments to expanding the discretion to make payments direct to the landlord where the LA considers that it will assist the customer in securing or retaining a tenancy. However, conversations

with the DWP suggest that it is intended that this will be applied where measures to incentivise private landlords reducing rents to an affordable level have been taken on board. We will forward further information as it becomes available.

### **Transitional protection**

9 months transitional protection will be offered to some people affected by the above changes. Details of where this applies are set out in paras. 24 – 29 of Circular HB/CTB A25/2010 (<http://www.dwp.gov.uk/docs/a25-2010.pdf> )

### **Additional bedroom for non-resident carer**

Previously there was no provision for the HB assessment to include a room that was used by a non-resident carer staying overnight. From April 2011 a person who requires overnight care will be allowed funding for an additional bedroom where they or their partner has an established need for overnight care and that care is provided by someone outside the household and where they occupy a property with an additional bedroom that is used for that purpose. This will apply for properties up to four bedrooms. Further details can be found at paras. 33 – 38 of Circular HB/CTB A25/2010 (<http://www.dwp.gov.uk/docs/a25-2010.pdf> )

## **3. Changes affecting people living in general needs social housing**

As described above, most changes will affect people living in the private rented sector accessing LHA. HB claims of tenants of registered social landlords are currently excluded from the requirement to refer to the rent officer and LHA, however the rent officer can decide to refer if they believe that the rent is unreasonably high.

HB changes that will affect people living in general needs social housing are however, being introduced:

### **Capping benefits to working age tenants who live in a property that is considered larger than they need**

Currently the amount of HB received relates to the size of the property. From April 2013 it is proposed that RSL tenants of working age in receipt of HB will have their allowances restricted to the household size. Housing Associations in Wales are considering the impact in terms of greater demand for smaller properties and reviewing allocations policies which at the moment may take into consideration anticipated future growth in household size. We would anticipate this change resulting in greater demand for smaller properties. We will forward more information on this change as it becomes available.

**Also see above – non-dependent deductions** – these are likely to have a significant impact on some general needs social housing tenants, especially those with older children living in the family home. We would also anticipate an increase in homelessness presentations as a result.

#### **4. Changes affecting the subsidy for temporary accommodation**

There are three arrangements affecting organisations involved in providing this type of accommodation:

- Subsidy for LA leased temporary accommodation (introduced April 2010)
- Subsidy for HA leasing schemes (HALs) (to be introduced April 2011)
- Subsidy for HA owned properties (to be introduced April 2011)

##### **LA leased temporary accommodation**

From April 2010 the subsidy received by the LA for the following types of accommodation was made subject to a cap and formula:

- board and lodging (including Bed and Breakfast) accommodation (provided by a local housing authority to discharge a homelessness function under Part 7 of the Housing Act 1996 or Housing (Scotland) Act 1987);
- accommodation held by a local housing authority under license (provided to discharge a homelessness function under Part 7 of the Housing Act 1996 or Housing (Scotland) Act 1987);
- accommodation held on a lease by a local housing authority for a period not exceeding ten years secured from a private landlord and accounted for outside the Housing Revenue Account (in England, Wales and Scotland); and
- accommodation held on lease by an authority for a period not exceeding ten years secured from a private landlord and accounted for in the Housing Revenue Account (in Wales).

The amount received in Wales is the lower of:

- £375 per week, or
- LHA-10% +£60 (LHA as of January 2011 and fixed for 2 years)

(see circular: HB/CTB S3/2010 <http://www.dwp.gov.uk/docs/s3-2010.pdf> )

Depending on the terms of the lease, this may result in a significant reduction in income for the LA as the amount received from the DWP is likely to be much less than the amount paid out in HB.

##### **HA leased and owned properties**

From April 2011 the above formula will be used as a starting point to assess whether a rent is reasonable for Housing Association leased or owned properties and therefore the amount of subsidy

the LA will receive for using this kind of accommodation to provide temporary accommodation to help discharge its homelessness duty.

In regards to leased accommodation, the local authority can apply for an exemption and details of these are set out in the circular: HB/CTB S4/2010 (<http://www.dwp.gov.uk/docs/s4-2010.pdf> ) However, we would anticipate that exemptions will be rare and HB officers will be nervous about risking losing subsidy, particularly in the current public spending climate.

We would also suggest that it is possible that this development may influence HB officers' consideration of what constitutes a reasonable rent generally.

The circular regarding HB subsidy for customers living in temporary accommodation owned by HAs has now also been released on the DWP website: <http://www.dwp.gov.uk/docs/s1-2011.pdf> The circular makes it clear that these changes apply to temporary accommodation not supported accommodation.

## **5. Tenants of social landlords where care, supervision or support is provided**

Where accommodation is provided by registered landlords, charities or voluntary organisations and care, supervision or support is also provided, the accommodation is categorised as **exempt** from LHA/rent officer assessment. This means that none of the above formulas and caps apply at this point to supported accommodation. Changes that do apply:

- Non-dependent rules (see private sector section)

However, the DWP will be carrying out a consultation on exempt accommodation early in 2011 focusing on general principles and we have been advised that later in the year, a consultation on the detail of any changes will take place. Based on current direction of travel, we are anticipating changes to definitions and possibly a similar approach to be taken with formulas and caps with LHA as the starting point.

## **6. Cymorth Cymru activities**

Cymorth Cymru is contributing to a number of initiatives in relation to welfare reform:

### **Policy and campaigning**

We are part of a group coordinated by WAG made up of representatives working in housing, care and support from across different sectors, to monitor and mitigate the impact of these reforms on people in Wales. We are also contributing to the All Party Housing Group at the Assembly on welfare reform issues.

We have held meetings with Liberal Democrat AM Peter Black and with Conservative AM Mark Isherwood to keep them informed of how changes to benefits will affect vulnerable people in Wales and to gain their support in mitigating the impact.

We also met with Liberal Democrat MP Jenny Willott and are continuing to work with Ms Willott to feed in the sector's concerns with the Secretary of State for Work and Pensions regarding the changes and the impact it will have on vulnerable people in Wales. Ms Willott has a specific role in representing the interests of the people of Wales on this agenda and meets with the Minister on a weekly basis.

We are meeting with colleagues from sister organisations across Wales and the UK to work together to meet the challenges these changes bring both to providers and users of services.

We held a conference call with DWP staff working on the upcoming consultation on exempt accommodation (and Rough Sleepers Cymru representatives) and also to discuss the use of the private rented sector to help ease the demand on social housing. DWP, Cymorth and RSC have agreed to maintain an ongoing dialogue in regards to the changes and how these will affect the sector and clients.

### **Conference and training programmes**

As there are a number of changes that have yet to be finalised, Cymorth Cymru will continue to provide our members with information on these changes and what they will mean for your clients and organisation through regular briefings. Our annual conference, *Power to the People?*, will also feature a 'benefits surgery' - an addition to the main conference programme where delegates can have the opportunity to discuss any area around Welfare Reform with a benefits expert.

We are also providing training and will be developing the programme further to ensure affordable, up-to-date information is made available across Wales to our members and partner organisations.

## **7. Useful website and links**

For further reading on benefits changes, more information can be found using the following links:

DWP Housing Benefit / Council Tax Benefit circulars:

<http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/>

Rent Officers Wales website:

<http://cymru.gov.uk/topics/housingandcommunity/housing/private/renting/rentofficers/?lang=en>

Housing Benefit Calculator:

[www.HBupdate.com](http://www.HBupdate.com)

**Appendix 1 (Moving from 50% of market rent to 30% as calculation for LHA)**

*The Rent Officers Service calculations on affordability and availability in different parts of Wales:*

<b>Broad rental market area (April 2009)</b>	<b>% current availability of accomm. in PRS</b>	<b>% Post-reform availability</b>	<b>% Reduction in available accommodation</b>
Central Glamorgan	56	31	-25
Delyn	55	32	-23
Rural Monmouth	54	32	-22
Bridgend	55	33	-22
Swansea/NPT	53	32	-21
Carmarthen	54	33	-21
Menai	51	31	-20
Wrexham	52	32	-20
Tremadoc Bay	56	37	-19
Cardiff and Vale	52	33	-19
Brecon and Radnor	52	33	-19
North Clwyd	53	34	-19
South Wales Valleys	53	34	-19
Severn Gateway	52	35	-17
Welshpool and Newtown	51	36	-15
Average reduction			-20

\*No information available for Pembrokeshire and Cardigan Bay

**Appendix 2 (Non-dependent deductions to be increased and phased in over 4 years (applies to all tenants – all tenures))**

Figures showing the amount last year and revised amount for 2011 depending on which main benefit the claimant is receiving:

Type	Apr-2010	Apr-2011	% increase
<b><i>Non-dependant Deductions in HB</i></b>			
In receipt of state Pension Credit	Nil	Nil	
In receipt of main phase ESA(IR)	£7.40	£9.40	27.03
Not in receipt of main phase ESA(IR)	Nil	Nil	
Aged 25 or over and on IS/JSA(IB) or aged 18 or over and not in remunerative work	£7.40	£9.40	27.03
Aged 18 or over and in remunerative work	Nil	Nil	
-gross income less than £120.00	£7.40	9.40	27.03
-gross income not less than £120.00 but less than £178.00	17.00	21.55	26.76
- gross income not less than £178.00 but less than £231.00	23.35	29.60	26.77
- gross income not less than £231.00 but less than £306.00	38.20	48.45	26.83
- gross income not less than £306.00 but less than £382.00	43.50	55.20	26.90
- gross income more than £382.00	47.75	60.60	26.91
<b><i>Non-dependant Deductions in CTB</i></b>			
Age 18 and over and in remunerative work	Nil	Nil	
-others aged 18 or over	2.30	2.85	23.91
- gross income less than £178.00	2.30	2.85	23.91
- gross income not less than £178.00 but less than £306.00	4.60	5.70	23.91
- gross income not less than £306.00 but less than £382.00	5.80	7.20	24.14
- gross income greater than £382.00	6.95	8.60	23.74
In receipt of Pension Credit, IS, JSA(IB), or ESA(IR)	Nil	Nil	