

WLGA Briefing

Housing Benefit Changes 2011 and 2013

August 2010



Sue Finch

sue.finch@wlga.gov.uk

Purpose

1. The purpose of this briefing is to outline the recently announced housing benefit changes and the implications for Local Authorities in Wales.

Background

2. Housing Benefit (HB) is a means tested benefit paid to tenants in social housing and the private sector. The cost of Housing Benefit in the UK has risen rapidly from £11bn in 1999/00 to £20bn 2009/10 in cash terms, and has been of concern to the previous Government as well as the coalition Government.

3. Significant changes to housing benefit entitlement have recently been announced. These will be introduced in 2 stages, some in April 2011, with changes requiring legislative change introduced in 2013.

4. The majority of the changes will affect tenants in the private sector, who are paid a form of HB called Local Housing Allowance (LHA), however some changes also have implications for social housing tenants.

5. There is widespread concern about the implications of the changes and the Work and Pensions Select Committee will hold an inquiry in the Autumn. The Secretary for State and Pensions has also asked the Social Security Advisory Committee (SSAC) to consider the proposals and this public consultation will end in early September 2010. However, it is clear the DWP is very committed to the proposed changes.

Summary of Changes

6. April 2011 changes

- remove the £15 excess paid to some LHA claimants
- remove the 5 bedroom LHA rate, the maximum payment will be the 4 bedroom rate
- caps on the maximum LHA that can be paid for different sizes of property
- deductions for non dependents will be up rated on the basis of prices, up rating will take place in 3 stages 2011 -13
- HB claimants with a disability will be able to claim for an extra bedroom if they need a carer to stay overnight

- Government funding for discretionary housing payments in the UK will be increased from £20m to £30m in 11/12 and from £20m to £60m each year from 12/13.
- subsidy for temporary accommodation provided by housing associations will be aligned with the subsidy paid for temporary accommodation leased from the private sector
- LHA rates to be set at the 30th percentile, rather than the 50th percentile (From Oct 2011)

7. April 2013 Changes

- LHA rates will be up rated in line with the Consumer Prices Index rather than Retail Prices Index
- HB for social housing tenants of working age will be limited to the size of accommodation needed
- HB for jobseekers who have failed to find work after one year will be reduced to 90%

April 2011 Changes in more detail

Removal of the £15 excess paid to some LHA claimants

8. This arrangement allows tenants to keep up to £15 p w of their benefit if their rent exceeds LHA and was introduced by the previous Government to incentivise private tenants to 'shop around' and find cheaper accommodation. There is little evidence that this was achieved and this provision will cease in April 2011.

9. DWP figures indicate that in Wales on average 39% of LHA claimants will be affected and will on average lose £10 pw. Claimants in larger accommodation will be most affected with between 60- 97% of claimants in 4 bedroom properties losing out.

see Appendix 1 : Impact of measures coming into affect in 2010/11 (caseloads) by individual Authority

Removal of the 5 bedroom LHA rate and maximum set at the 4 bedroom rate. New lower caps on the maximum that can be paid for different sizes of property

9. This change is largely aimed at reducing LHA paid in London where rent levels are extremely high. DWP data suggests that up to 40 households will be affected in each Authority in Wales with households losing a relatively high level of LHA. This change will impact adversely on large households who already face difficulties in accessing appropriate accommodation and could lead to increases in over crowding, rent arrears and an increase in larger households being at risk of homelessness.

See Appendix 2a: Average loss in LHA resulting from the 2010/11 changes

See Appendix 2b : Impact of restricting LHA to 4 bedrooms

LHA rates set at the 30th percentile, rather than the 50th percentile of local rents

10. This change will be implemented from October 2011 and will effectively mean that approximately a third rather than a half of privately rented homes are affordable to households claiming LHA. The DWP has estimated that this will affect 89% of people receiving LHA in Wales, with households losing an average of £8 p w. The change will be introduced immediately for new claims and on the anniversary of the claim for existing claims

11. Many tenants will find their rent becomes unaffordable during 2011 and will have to draw on other income to avoid rent arrears or move to cheaper accommodation. Many tenants may find

they are unable to afford the high 'up front' costs of moving to alternative accommodation, for example the deposit, agent's fees removal costs. Bond schemes will have an important role to play in assisting tenants to move to accommodation they can afford. In many cases rent arrears will develop and homelessness will start to increase. This change will impact on housing options work, leasing schemes, social lettings agencies and intermediate tenure schemes.

See Appendix 3 : Estimated number of LHA recipients losing or notionally losing as a result of setting LHA at the 30th percentile

See Appendix 4 : Availability of accommodation by Broad Rental Market Area (BRMA)

See Appendix 5 : Indicative LHA rates calculated at 30th percentile – pre and post reform of LHA rates

Increase in deductions from LHA for non dependents

12. 'Non dependent' is a term used to describe people who normally live with the claimant, such as adult sons or daughters, relatives or friends. Deductions are made from the housing benefit entitlement to reflect the notional contribution that the non dependent makes to the rent. The rate of non dependent deductions has not increased for a decade and has been frozen at the 2001/02 rate. These deductions will now be up rated to the level they would have been if they had been increased annually over a period of 3 years starting in April 2011. This will amount to an average of 160% increase.

13. This change combined with the general downward pressure on LHA will have a particularly adverse impact on households with young adult dependents. Non payment by a non dependent is common contributory factor in rent arrears and is likely to increase family tensions and pressure for young adults to move out of the family home. This may increase housing demand and a growth in homelessness amongst young people.

Timing

14. These changes will affect new claims from April 2011, while existing claims will be affected on their anniversary. Some claimants will be adversely affected by a number of the changes and will face a significant and immediate reduction in their LHA payments. It will be important that every effort is made to forewarn claimants of the impact of the changes so they can if necessary plan their move and avoid a crisis.

HB claimants with a disability will be able to claim for an extra bedroom if they need a carer to stay overnight

15. This is a welcome change and will allow HB claimants to receive LHA to provide a room for a carer who lives elsewhere to stay overnight. At present this cost is being absorbed by the tenant, discretionary housing benefit or social services budgets. This change could lead to an increase in demand for larger accommodation from social housing tenants with a disability.

Funding for discretionary housing payments (DHP) in the UK to be increased from £20m to £30m in 11/12 and from £20m to £60m p.a. from 12/13.

16. This increase in DHP is welcome, but is recognition of the increased hardship the changes will cause. It should be seen in the context of the projected savings of £2.1bn of savings by 2015/16 that this package of measures is expected to generate.

17. The DWP is currently undertaking a review of the DHP distribution formula and it has decided that DHP distribution for 2010/11 will be based on the existing formula, with any distribution changes implemented from 2012/13. The DWP/LAA subsidy working group which

includes representatives from Local Government will be involved in the review. DHP is available for Authorities to use in a flexible way, for example to provide a transitional safety net for tenants who need to find cheaper accommodation or longer term support for people who are unable to move. It will be important that Authorities maximise their use of DHP and consider their policies and procedures in the light of the changes.

From April 2011 Subsidy for temporary accommodation provided by housing associations will be aligned with the private sector leasing subsidy for temporary accommodation.

18. Subsidy arrangements for temporary accommodation leased from the private sector changed in September 2009 in Wales and are now based on 90% of LHA plus £60 pw to cover management costs. The DWP has recently announced that from April 2011 the subsidy payments for Housing Association Leasing Schemes (HALs) will be aligned with private sector leasing schemes and will be fixed from April 2011 until the end of 2012/13, using Jan 2011 LHA rates (ie 50th percentile of LHA). The DWP will be consulting on these proposals in August 2010 however it appears unlikely that the proposals will change.

April 2013 Changes in more detail

The DWP has yet to confirm the details of the 2013 changes as they will require primary legislation. The following changes are proposed:

Housing Benefit to be increased by Consumer Prices Index (CPI) rather than local market rents

19. From April 2013 LHA, along with other welfare benefits, will be increased by the CPI and will no longer be increased in line with rents in the Broad Rental Market Area (BRMA). It is difficult to assess the likely impact of this change as it will be dependent on housing market trends and the local private rented sector.

HB for social housing tenants of working age will be restricted for those occupying a larger property than their household size and structure warrants.

20. This proposal presupposes that alternative appropriate accommodation will be available to allow households to downsize to social housing in areas where they wish to live. However, given the pressures on social housing it is likely that there will be limited opportunities for tenants to transfer. This will be compounded by the legal obligations of Local Authorities to balance transfers with their responsibility to 'give reasonable preference' to households in housing need.

21. It will be essential that social landlords work closely together to maximise opportunities for tenants affected by this change and who need to transfer. It is likely that this change combined with the other Housing Benefit changes will lead to escalating rent arrears in social housing with the possibility of growing rates of eviction.

HB for jobseekers who have failed to find work after one year will be reduced to 90% of the initial payment

22. This proposal aims to provide an incentive for people on job seekers allowance to find work and will be applied to all job seekers including those who are fully compliant with the eligibility criteria and are actively seeking work. It is likely to have a significant impact in Wales.

23. The latest unemployment figures (quarter to June 2010) from the Office of National Statistics (ONS) indicated that Wales has the highest unemployment rate in the UK, 9% compared with 7.7% in England and 8.4% in Scotland. The number of people who are unemployed long term is continuing to grow with youth unemployment rising by 20% and unemployment amongst the over 50's rising by 50% in the last year. These figures are the highest for 10 years and we can expect this change to have a significant impact in Wales, particularly on young and older unemployed people.

Implications for Local Government

24. The overall impact of the changes to housing benefit will affect the majority of Housing benefit claimants. It is important that Authorities consider how the changes are likely to impact locally and what preventative action can be taken across the Authority to reduce hardship and minimise the pressure on services such as homelessness, social care, community safety and health.

Appendix 1 : overall impact of LHA measures coming into effect 2010/11 – caseload

Estimated number of LHA recipients losing or notionally losing	Shared room	1-bed	2-bed	3-bed	4-bed	5-bed
Anglesey	-	450 (100%)	320 (100%)	120 (100%)	30 (100%)	10 (100%)
Gwynedd	190 (100%)	560 (100%)	380 (100%)	130 (100%)	30 (100%)	-
Conwy	320 (100%)	1,800 (100%)	960 (100%)	320 (100%)	100 (100%)	10 (100%)
Denbighshire	300 (100%)	980 (100%)	750 (100%)	250 (100%)	80 (100%)	30 (100%)
Flintshire	240 (100%)	500 (100%)	670 (100%)	230 (100%)	60 (100%)	10 (100%)
Wrexham	-	620 (100%)	520 (100%)	150 (100%)	30 (100%)	10 (100%)
Powys	-	720 (100%)	400 (100%)	150 (100%)	30 (100%)	10 (100%)
Ceredigion	260 (100%)	470 (100%)	350 (100%)	130 (100%)	20 (100%)	10 (100%)
Pembrokeshire	-	1,440 (100%)	690 (100%)	270 (100%)	60 (100%)	20 (100%)
Carmarthenshire	-	1,410 (100%)	940 (100%)	370 (100%)	90 (100%)	10 (100%)
Swansea	-	1,820 (100%)	1,130 (100%)	410 (100%)	100 (100%)	20 (100%)
Neath Port Talbot	340 (100%)	940 (100%)	930 (100%)	280 (100%)	80 (100%)	20 (100%)
Bridgend	-	1,160 (100%)	1,030 (100%)	300 (100%)	70 (100%)	10 (100%)
Vale of Glamorgan	240 (100%)	800 (100%)	880 (100%)	290 (100%)	60 (100%)	10 (100%)
Cardiff	-	3,060 (100%)	1,980 (100%)	630 (100%)	180 (100%)	50 (100%)
RCT	430 (100%)	1,360 (100%)	1,840 (100%)	560 (100%)	140 (100%)	20 (100%)
Merthyr Tydfil	-	390 (100%)	360 (100%)	120 (100%)	20 (100%)	10 (100%)
Caerphilly	50 (21%)	740 (100%)	940 (100%)	340 (100%)	80 (100%)	10 (100%)
Blaenau Gwent	-	580 (100%)	500 (100%)	120 (100%)	40 (100%)	10 (100%)
Torfaen	-	420 (100%)	430 (100%)	110 (100%)	30 (100%)	-
Monmouthshire	-	350 (100%)	280 (100%)	110 (100%)	20 (100%)	10 (100%)
Newport	460 (100%)	690 (100%)	850 (100%)	240 (100%)	70 (100%)	20 (100%)

Source : DWP (2010) Impacts of Housing Benefit proposals : Changes to the Local Housing Allowance to be introduced in 2011/12 Table 7

Appendix 2a : overall impact of all the housing Benefit measures coming into effect 2010/11 : average loss per loser

Estimated average loss per loser or notional loser, £ per week	Shared room	1-bed	2-bed	3-bed	4-bed	5-bed
Anglesey	-	-7	-15	-16	-16	-35
Gwynedd	-10	-6	-12	-14	-23	-
Conwy	-5	-6	-10	-12	-14	-26
Denbighshire	-5	-6	-10	-12	-14	-21
Flintshire	-10	-12	-9	-8	-15	-39
Wrexham	-	-12	-10	-12	-14	-38
Powys	-	-10	-9	-12	-13	-17
Ceredigion	-6	-12	-13	-11	-19	-27
Pembrokeshire	-	-10	-12	-12	-16	-20
Carmarthenshire	-	-7	-8	-9	-16	-32
Swansea	-	-10	-8	-14	-15	-41
Neath Port Talbot	-3	-6	-8	-7	-17	-28
Bridgend	-	-11	-7	-14	-12	-19
Vale of Glamorgan	-7	-11	-12	-12	-17	-21
Cardiff	-	-12	-8	-13	-17	-40
RCT	-1	-4	-12	-9	-17	-23
Merthyr Tydfil	-	-8	-3	-5	-18	-29
Caerphilly	-7	-5	-12	-11	-13	-20
Blaenau Gwent	-	-2	-5	-7	-13	-21
Torfaen	-	-9	-12	-7	-16	-
Monmouthshire	-	-8	-8	-8	-14	-29
Newport	-5	-10	-7	-12	-16	-34

Source : DWP (2010) Impacts of Housing Benefit proposals : Changes to the Local Housing Allowance to be introduced in 2011/12 Table 8

Appendix 2b : Impact of restricting LHA to 4 Bedroom properties

Estimated average loss per loser or notional loser, £ per week	Shared room	1-bed	2-bed	3-bed	4-bed	5-bed
Anglesey	-	-	-	-	-	-35
Gwynedd	-	-	-	-	-	-
Conwy	-	-	-	-	-	-29
Denbighshire	-	-	-	-	-	-21
Flintshire	-	-	-	-	-	-44
Wrexham	-	-	-	-	-	-59
Powys	-	-	-	-	-	-
Ceredigion	-	-	-	-	-	-
Pembrokeshire	-	-	-	-	-	-21
Cardiganshire	-	-	-	-	-	-34
Swansea	-	-	-	-	-	-52
Neath Port Talbot	-	-	-	-	-	-26
Bridgend	-	-	-	-	-	-25
Vale of Glamorgan	-	-	-	-	-	-23
Cardiff	-	-	-	-	-	-46
RCT	-	-	--	-	-	-25
Merthyr Tydfil	-	-	-	-	-	-28
Caerphilly	-	-	-	-	-	-23
Blaenau Gwent	-	-	-	-	-	-22
Torfaen	-	-	-	-	-	-
Monmouthshire	-	-	-	-	-	-33
Newport	-	-	-	-	-	-40

Source : DWP (2010) Impacts of Housing Benefit proposals : Changes to the Local Housing Allowance to be introduced in 2011/12 Table 23

Appendix 3 : Estimated number/ percentage of LHA recipients losing or notionally losing

Estimated number of LHA recipients losing or notionally losing	Shared room	1-bed	2-bed	3-bed	4-bed	5-bed
Anglesey	-	420 (93%)	310 (96%)	120 (97%)	20 (85%)	-
Gwynedd	180 (96%)	540 (97%)	380 (99%)	120 (95%)	30 (96%)	-
Conwy	300 (93%)	1,680 (93%)	900 (93%)	280 (89%)	50 (51%)	10 (79%)
Denbighshire	280 (96%)	960 (97%)	710 (95%)	230 (92%)	30 (43%)	20 (60%)
Flintshire	230 (97%)	460 (92%)	650 (96%)	210 (91%)	20 (35%)	-
Wrexham	-	580 (93%)	500 (96%)	140 (92%)	10 (27%)	-
Powys	-	660 (93%)	380 (96%)	140 (93%)	20 (57%)	-
Ceredigion	230 (89%)	430 (91%)	320 (90%)	110 (88%)	20 (91%)	-
Pembrokeshire	-	1,240 (86%)	670 (97%)	240 (87%)	30 (46%)	-
Carmarthenshire	-	1,240 (88%)	910 (97%)	360 (96%)	90 (97%)	-
Swansea	-	1,250 (69%)	1,070 (94%)	380 (92%)	30 (26%)	-
Neath Port Talbot	330 (97%)	920 (98%)	920 (99%)	280 (98%)	70 (84%)	10 (44%)
Bridgend	-	1,000 (86%)	1,000 (97%)	290 (95%)	40 (54%)	-
Vale of Glamorgan	240 (98%)	740 (92%)	840 (95%)	270 (93%)	20 (39%)	-
Cardiff	-	1,830 (60%)	1,820 (93%)	570 (89%)	80 (48%)	10 (20%)
RCT	430 (99%)	1,340 (99%)	1,790 (97%)	530 (94%)	60 (42%)	10 (26%)
Merthyr Tydfil	-	360 (94%)	360 (99%)	120 (99%)	20 (71%)	-
Caerphilly	-	710 (96%)	890 (95%)	320 (94%)	30 (39%)	-
Blaenau Gwent	-	540 (93%)	500 (99%)	120 (98%)	20 (63%)	-
Torfaen	-	330 (79%)	420 (97%)	110 (95%)	20 (81%)	-
Monmouthshire	-	280 (78%)	250 (91%)	100 (93%)	10 (47%)	-
Newport	460 (100%)	670 (96%)	810 (96%)	230 (96%)	30 (45%)	10 (26%)

Source : DWP (2010) Impacts of Housing Benefit proposals : Changes to the Local Housing Allowance to be introduced in 2011/12 Table 18

Appendix 4: Availability of accommodation in BRMA

Availability of accommodation: Broad Rental Market Area	Current average estimate of availability of PRS accommodation	Post-reform average availability of PRS accommodation
Swansea	53%	32%
Wrexham	51%	32%
Cardiff & Vale	52%	33%
Brecon & Radnor	52%	33%
Bridgend	55%	33%
Carmarthen	54%	33%
North Clwyd	53%	34%
South Wales Valleys	53%	34%
Welsh pool and Newtown	51%	36%
Tremadog Bay	56%	37%

Appendix 5: Impact of LHA rates calculated at 30th percentile

Indicative LHA rates calculated at the 30 th percentile, by BRMA Wales	Pre-reform LHA rates (July 10)					Post –reform LHA rates (for July 2010)					
	Shared	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Shared	1 Bed	2 Bed	3 Bed	4 Bed
Blaenau	46	65	81	92	115	172	45	65	77	87	107
Brecon and Radnor	55	70	98	115	127	159	50	65	87	104	115
Bridgend	54	87	104	119	156	185	49	77	98	105	150
Caerphilly	54	75	104	110	147	172	54	72	92	100	138
Cardiff	57	107	133	156	208	277	54	98	127	144	185
Carmarthen	55	75	95	107	133	164	51	70	88	99	115
Ceredigion	65	92	111	120	150	162	64	81	98	110	127
Flint	65	87	112	127	173	242	55	75	104	121	156
Merthyr Cynon	46	73	82	92	140	172	45	65	80	88	110
Monmouth	60	92	121	138	185	242	57	87	114	133	173
Newport	55	85	110	127	170	218	50	76	104	115	150
North Clwyd	62	80	106	127	160	183	60	75	97	115	149
North Powys	55	69	89	104	138	150	50	60	81	92	127
North West Wales	57	70	100	114	138	173	50	65	85	98	121
Neath Port Talbot	55	81	95	104	133	152	54	75	88	98	114
Pembroke South	55	85	104	127	173	196	54	78	92	115	150
Gwynedd	60	65	85	97	104	153	50	60	74	83	80
Swansea	57	92	110	123	173	286	52	85	104	110	156
Taff Rhondda	46	65	96	98	150	172	45	62	84	90	127
Torfaen	60	87	104	115	150	157	60	81	92	111	133
Vale of Glamorgan	58	104	126	138	196	300	52	94	115	127	173
Wrexham	59	81	107	127	160	277	55	69	98	115	150

Source: Indicative calculations by the Welsh Assembly Government