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Welfare Reform Briefing

Housing Benefit



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, and are likely to impact on the ability of organisations to meet the needs of homeless people:

- Subsidy to NIHE leased accommodation cap
- 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

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; reducing the amount of HB a claimant receives when they have been receiving JSA for 12 months), 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 in March of this year.

Please note: the information contained in this briefing was, to the best of our knowledge, accurate at the time of drafting; however, the Department of Works and Pensions (DWP) has changed some deadlines/proposals as a result of internal and external consultation and we will endeavour to

keep you up-to-date with any future changes as the programme develops further both in relation to housing benefit and other benefit changes that are likely to affect you and your clients.

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

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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 tenants of any tenure receiving HB and JSA**
- 5. Tenants of social landlords where care, supervision or support is provided (supported housing)**

Glossary of terms/abbreviations:

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

1. Chronological overview of changes

When	Change	Who the change will have an impact on
April 2010	Subsidy to LA leased accommodation capped	Leased temporary accommodation in NI is funded differently from the rest of the UK. However the NIHE scheme is under review in order to make efficiency savings
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>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 Northern Ireland</p> <p>People providing/living in the private rented sector. Will have an impact in Northern Ireland</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>
April 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 Northern Ireland

When	Change	Who the change will have an impact on
April 2013	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.	Will impact on people providing/living in/wanting to access the PRS. General needs social housing landlords and tenants.
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. This may have an impact in some areas of NI, most particularly South Belfast. 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 30th percentile. This will have an impact in NI 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 NI 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 DSD estimate that 38,000 tenants will lose an average of £7.50 per week. An additional 20,000 tenants not currently subject to LHA may be affected.

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 NI, the DSD estimate this affects 7,247 claimants of which 4,205 currently receive £5.00 or more.

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 uprated 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. This is particularly relevant to providers of supported housing options for young people in terms of access and affordability of accommodation.

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 April 2012.

DWP estimate this will affect 88,000 claimants in GB, which if extended to social housing would affect 220,000. We have no figures for NI.

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. More significantly, this will break the link between rent charged (the actual cost of housing) and the amount of benefit received towards housing costs.

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. This legislation has not been applied to date in NI.

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 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 NI are considering the impact in terms of greater demand for smaller properties. We would anticipate this change resulting in greater demand for smaller properties.

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)

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. 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)
- Depending on the client, JSA deductions (see above)

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. Issues for young people

- Pressures upon housing supply – increased competition for HMOs, significant reduction in social new build, increased demand for PRS from those unable to secure a mortgage. Unemployed or low paid young people likely to be least attractive tenant type for many landlords.

- Possible reluctance from landlords to charge LHA rents and less need to do so if there is demand from those in work.
- Non-dependent rules will affect tenants in all tenures. This may mean parents demanding young people leave home as they can no longer afford to keep them. Also will put pressure on services seeking to place young people currently 'looked after' with parents or extended family.
- Changes to DLA may have additional impact.
- Changes to currently exempt accommodation under review. Is likely that some reform will take place. This, linked with no SP inflationary uplift, could put pressure on providers of supported housing in terms of service models, staffing and case-load.
- Likely to be significant short falls between rents chargeable and welfare support received. In addition Universal Credit system to be implemented in 2013 places housing costs at the lowest priority for expenditure.

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