

CFTRA Briefing - September 2010.

How housing benefit changes could affect you

Introduction

The new Government passed an emergency budget in June 2010 in which changes to housing benefit and local housing allowance were announced. As a result of these changes the Government expects to reduce the amount spent on help with housing costs by £1,765 million per year.

Below we set out a short briefing on the likely effects of these changes

Background

Local Housing Allowance (LHA) was introduced in 2008 replacing the Housing Benefit scheme for tenants in the private sector. The allowance is linked to family size and the market rents within a locality.

The maximum amount of LHA that can be paid is set by the Valuations Office Agency (VOA – formally the Rent Service) according to the number of bedrooms the family needs. The VOA survey all private sector rents being charged in the locality for each property size i.e. 1 bed, 2 bed, 3 bed etc. Based on this information the LHA rate is set at the 50 percentile point for each property size.

According to *London Councils* there are 650,000 homes rented through the private sector in London. Over 1 in 3 are let to families in receipt of LHA/HB.

In London it is estimated that 18,645 households are adversely affected by the proposed caps and of these 14,661 are households with children.

The main changes are summarised as follows:

Change	Date introduced	Directly affects	Annual saving to Government
Capping the maximum LHA payable for each property size, and applying a four-bed limit:	April 2011	Private rented sector	£65m by 2014/15

<ul style="list-style-type: none"> • £250 for one bed • £290 for two bed • £340 for three bed • £400 for four bed and larger properties 			
Increasing deductions for non-dependents – they will no longer be frozen at £7.40 per week for non-earners and will be linked to prices.	April 2011	Private rented sector, council and socially rented sectors.	£340 by 2014/15
Calculating Local Housing Allowance (LHA) rates using the 30 th percentile market rents rather than the 50 th percentile.	October 2011	Private rented sector	£425 by 2014/15
Linking LHA increase to the consumer prices index (CPI) which does not include housing costs rather than the higher retail prices index (RPI)	April 2013	Private rented sector	£390 by 2014/15
Time limiting full HB and LHA payable to people on Job Seekers Allowance (JSA) so that after 12 months HB is reduced by 10%.	April 2013	Private rented sector. Council and socially rented sectors.	£110 by 2014/15
Limiting housing benefit for working age tenants so that it only covers the size of property they are judged to need.	April 2013	Council and socially rented sectors.	£490 by 2014/15
Total			£1,820m by 2014/15

The changes:

1. Caps on the maximum LHA payable by property size.
2. Increasing non-dependent deductions.
3. Change from 50th percentile to 30th percentile to calculate Housing Allowance.
4. Change to using CPI to up-rate benefits rather than RPI
5. Reduction in housing benefit to tenants in receipt of Job Seeker Allowance for more than one year.
6. Increasing amounts available for discretionary housing payments.
7. Limiting housing benefits payable to working age tenants by property size.

8. Reduction in housing benefit to tenants in receipt of Job Seekers Allowance for more than one year.

Local authorities with a strategic housing role may see:

- Movements of tenants from central London boroughs to outer and eastern boroughs or beyond Greater London.
- Changes in demand for services such as schools and health
- More overcrowding
- Increased demand for cheaper properties
- Increased applications for discretionary housing payments and more uncertainty.
- Higher demands for debt counselling services and rising rent arrears.
- Higher demand on homelessness and housing options services.
- Greater demand for bed and breakfast accommodation if tenants are evicted.
- More applications from young people.
- Increased transfer applications with a subsequent increased administration costs.
- Private landlords becoming reluctant to let to families with older children who are approaching 18.
- Low income tenants moving to cheaper accommodation.
- Households struggling to access private rented accommodation.
- Tenants in receipt of LHA confined to cheaper and poorer quality housing.
- Landlords less prepared to let to known benefit claimants.
- Landlords making more income checks on potential tenants.
- Households struggling to access private rented accommodation
- Greater homelessness etc.
- More applications to the housing register.
- More demands on JobCentre Plus services.
- Increased overcrowding.
- More transfer applications.
- More uncertainty.

Social landlords may see:

- Higher demand for social housing from tenants who currently live in the private rented sector.
- Increased demand for independent housing from people who previously shared.
- More adult children leaving home after disputes with their parents and then seeking accommodation.
- Tenants less willing to care for elderly parents in their own homes.

- Increasing rents arrears.
- More staff to collect rent arrears.
- More pressure on social landlords to conduct tenancy audits and notify of changes.
- Increasing financial pressure on tenants especially in areas with high levels of long-term unemployment.
- Higher levels of voids due to planned moves or abandoned accommodation.
- More overcrowding as families move in with relatives or friends.
- Increased requests for transfer as households seek cheaper properties.
- Higher demand from existing tenants for smaller properties – increased transfer applications and more bidding via choice based lettings.

References:

Chartered Institute of Housing (July 2010) *Briefing Paper on the impact of changes to Housing Benefit and Local Housing Allowance in the budget*. CIH. London

Local Councils (July 2010) *Briefing note: The effect of the cap on Local Housing Allowance in London and ways to mitigate the impact*. London Councils.