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**IMPACT OF THE HOUSING BENEFIT REFORMS**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide members with an update on the impact of the Housing Benefit (HB) reforms introduced from April 2011.

**Summary**

2. Darlington Borough Council is responsible for the administration of HB and Council Tax Benefit (CTB) on behalf of the Department for Work and Pensions (DWP). Currently, there are over 13,000 households in receipt of HB and/or CTB in Darlington. In 2011/2012, Darlington Borough Council paid out over £44 million in benefits to residents.
3. From April 2011, the DWP have introduced a significant programme of reform to the HB/CTB schemes. These reforms include:
  - (a) Reduction of Local Housing Allowance (LHA) rates for people claiming HB in privately rented accommodation.
  - (b) Changes to the direct payment provisions to landlords for people claiming HB in privately rented accommodation.
  - (c) Increases to deductions from HB/CTB for non-dependants living in the household.
  - (d) Restrictions on the amount of LHA single people under 35 can receive.
4. This report sets out how these reforms are starting to impact on Darlington residents and Council services and has been compiled using data from and in discussion with staff from the Revenues and Benefits and Housing Options teams.

**Recommendation**

5. It is recommended that members note the content of this report.

**Murray Rose**  
**Director of People**

**Background Papers**

Welfare Reform Bill 2011

Universal Credit: welfare that works

Anthony Sandys - Extension 2512

S17 Crime and Disorder	There are no issues
Health and Well Being	The reduction in benefits and availability of affordable housing may have an adverse impact on the health and well-being of low income groups
Carbon Impact	There are no carbon impact implications in this report
Diversity	Low income groups in receipt of HB/CTB will be adversely affected by these changes
Wards Affected	All wards are affected, but in particular those with higher numbers of people claiming HB/CTB
Groups Affected	Anyone claiming HB and/or CTB may be affected by these changes, in particular private tenants claiming LHA
Budget and Policy Framework	The issues contained within this report do not represent change to Council budget or the Council's policy framework.
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision.
One Darlington: Perfectly Placed	This report has implications for the 'Healthy Darlington', 'Safer Darlington' and 'Prosperous Darlington' themes of the Sustainable Community Strategy.
Efficiency	The reforms to the HB/CTB scheme represent a significant challenge to the Revenues and Benefits service and to other services, which are experiencing an increase in workload due to the impact of these reforms

## MAIN REPORT

### Information and Analysis

6. Many of the reforms detailed below affect people living in privately rented accommodation. It is important to note that the increase in the number of people claiming HB/CTB over the past few years due to the economic downturn has mainly been in the privately rented sector (see the chart at appendix 1).

### Changes introduced from April 2011

#### *Restricting Local Housing Allowance (LHA) to the 4 bedroom rate*

7. From April 2011, the 5 bedroom LHA rate no longer applies. Prior to April 2011, the 5 bedroom rate in Darlington was £193.27 each week and the 4 bedroom rate is currently £150.00 each week. The change affects anyone making a new claim for LHA, or anyone changing their address from April 2011. Existing customers are having their LHA amended on the anniversary date of their claim, over the period April 2011 to March 2012, depending on when they made their LHA claim. Transitional protection applies and lasts for up to 9 months, which will mean that existing customers will see their transitional protection periods end between January 2012 and December 2012.
8. There are currently 7 families in Darlington currently receiving transitional protection from this change. As LHA claims are being reviewed, the Revenues and Benefits section is writing to customers informing them of the change, the period of transitional protection and the amount of HB they are likely to receive once transitional protection has ended. So far, very few enquiries have been received as a result of these letters.
9. The Housing Options team have received contact from one family with 8 children, who are due to lose £22 per week HB from August 2012. There is currently no cheaper, suitable alternative accommodation available to this family, and therefore Discretionary Housing Payments (DHP) may have to be considered in the interim to meet the shortfall.

#### *LHA calculated at the 30<sup>th</sup> percentile of rents*

10. From April 2011, LHA rates are calculated on the 30<sup>th</sup> percentile of local market rents, as opposed to the median level. This means that if there were 100 properties available for letting of the appropriate size, only the 30 with the lowest rents will be available for people on HB.
11. The impact on the LHA rates in Darlington is set out in Table 1 below.

**Table 1: LHA rates in Darlington.**

LHA Rate	March 2011 Weekly Rates	March 2012 Weekly Rates
Shared Accommodation rate	£55.00	£55.00
One bedroom rate	£80.77	£75.00
Two bedroom rate	£98.08	£91.15

Three bedroom rate	£115.38	£107.31
Four bedroom rate	£160.38	£150.00
Five bedroom rate (no longer available)	£193.27	£150.00

12. The change affects anyone making a new claim for LHA, or anyone changing their address from April 2011. Existing customers are having their LHA amended on the anniversary date of their claim, over the period April 2011 to March 2012, depending on when they made their LHA claim. Transitional protection applies and lasts for up to 9 months, which will mean that existing customers will see their transitional protection periods end between January 2012 and December 2012.
13. In Darlington, over 2,500 households are being affected by this change, with households losing an average of £6.55 HB per week. Again, very few enquiries have been received as a result of the transitional protection letters. However, enquiries have been increasing since January 2012 as transitional protection runs out and amounts of HB have decreased. It appears some customers have not read, misunderstood or put off the implications of the transitional protection letters. Enquiries have also been received from landlords who are having HB paid direct to them.
14. The number of people applying for DHPs to cover shortfalls in rent has increased in 2011/2012. In 2010/2011 the number of DHP awards was 287 with a total value of £47,664. In 2011/2012, the number of awards has increased to 356, with a total value of £48,731. The full impact of the HB reforms hasn't yet been felt on the DHP fund, as most existing customers have been transitionally protected during 2011/2012. For 2012/2013, the DWP grant allocated to Darlington for DHPs has increased significantly to £101,761. It is not yet known whether this amount will be sufficient to meet the increasing demand. A breakdown of the reasons for DHP awards in 2011/2012 is given at appendix 2, for information.
15. The Housing Options team is also experiencing a growth in demand as a result of the LHA changes. Table 2 below shows the number of new cases the team have dealt with over the past 4 years. The figure for 2011/2012 is for the period April 2011 to February 2012 only:

Table 2: Housing Options new cases

Year	New Cases
2008/2009	954
2009/2010	1,149
2010/2011	1,470
2011/2012 (11 months)	1,470

16. The Housing Options Team has also seen an increase in the numbers of people presenting as 'homeless' and placed in bed and breakfast accommodation. In 2010/2011, a total of 178 placements were made in bed and breakfast accommodation. In 2011/2012 (up to the end of February 2012), the total number was 257, an increase of 44% on the previous year. Table 3 provides a breakdown of these cases:

Table 3: Bed and breakfast placements April 2011 to February 2012

Type	Total
Single people	163
Couples	6
Families	88
<b>Total</b>	<b>257</b>

17. Housing Options staff have also indicated that it is becoming increasingly difficult to place people in the limited amount of bed and breakfast accommodation available. Some places are being blocked by people on waiting lists for hostel accommodation. Placements in hostels are themselves being blocked due to the lack of suitable and affordable move-on accommodation for existing residents. Housing Options staff have also commented that there has been an increase in the number of people who are homeless or at risk of homelessness also presenting with mental health issues.

*Removal of the LHA excess provision*

18. Previously, where the LHA rate exceeded the actual rent being charged, the tenant was allowed to keep the excess, up to an amount not exceeding £15 a week. From April 2011, this excess provision has been removed. The change will affect anyone making a new claim for LHA, or anyone changing their address from April 2011. Existing customers with an excess will have their LHA amended on the anniversary date of their claim, over the period April 2011 to March 2012, depending on when they made their LHA claim. There is no transitional protection for this change.
19. There have been very few enquiries from customers as the excess provision has been removed when LHA rates have been reviewed. Some landlords having the excess paid to them to clear rent arrears have acknowledged that this has now stopped.

*Changes to direct payment provisions and safeguarding*

20. In the majority of cases, LHA is paid direct to the tenant. There are circumstances where HB must be paid direct to the landlord, in particular where the tenant is 8 weeks or more in arrears with their rent (including rent charged in advance). In addition, Darlington Borough Council has a LHA Safeguarding Policy, which sets out the circumstances where LHA may be paid direct to the landlord. This is usually where the tenant is vulnerable and is likely to have difficulty in managing their affairs, or where they have a history of rent arrears and are unlikely to pay their rent.
21. From April 2011, a new provision has been introduced that will allow the Council to make LHA payments direct to the landlord, where it considers that it will assist the tenant in securing or retaining a tenancy. Currently, 34.5% of LHA payments are now being made direct to the landlord. Table 4 shows how the number of people having their LHA paid to their landlord has increased over the last year and in particular where the new provision has been used:

**Table 4: LHA direct payment reasons**

<b>Direct payment reason</b>	<b>Number of claims May 2011</b>	<b>Number of claims March 2012</b>
The tenant has rent arrears or a history of rent arrears	594	742
The tenant is vulnerable	271	322
To assist the tenant in securing or retaining their tenancy	4	112
The tenant is unable to open a bank account	28	31

22. These figures reflect anecdotal information from staff who have reported an increase in the number of enquiries from tenants with rent arrears. In addition, there has been an increase in the number of enquiries from landlords requesting direct payments of LHA as part of the tenancy sign up process. Tenancies are often only granted where direct payments of LHA can be secured from the Council first.
23. On a positive note, more landlords are taking on vulnerable tenants via the local bond scheme, where direct payment of LHA to the landlord is guaranteed. There are currently 52 private landlords and letting agencies working with the bond scheme. So far to date, 102 people are now using the bond scheme including 51 families, 10 couples and 41 individuals. Again, anecdotal information from staff is indicating that more young people are accessing the service.

*Additional room for a non-resident carer*

24. From April 2011, the LHA size criteria has been adjusted to allow for a non-resident carer where:
- (a) A disabled person has an established need for overnight care, and
  - (b) That care is actually provided, and
  - (c) The property has a bedroom for the carer's use.
25. Initially, the Council received a few enquiries about this provision, and currently 16 tenants are being paid additional HB as a result. However, there have been very few enquiries received since then.

*Increases to non-dependant deductions*

26. Non-dependant's are adult sons, daughters or other relatives or friends who usually live with the person claiming HB/CTB as part of their household. An amount is deducted from the person's HB/CTB based on the income of the non-dependant. The amounts of these non-dependant deductions have increased significantly from April 2011, with further staged increases planned each year until 2014. There is no transitional protection.
27. The table at **Appendix 3** sets out the details of the HB non-dependant deduction increases and the number of claims affected. The table at **Appendix 4** details the CTB increases and the number of claims affected.

28. Again, there have been very few enquiries from customers about the increases since April 2011. There have only been 3 DHP awards in 2011/2012 due to high non-dependant deductions, which is less than 1% of the total number of awards. The Housing Options team will often have to deal with young people made homeless because they have been asked to leave the family home, although this is usually for other reasons. There is no evidence to suggest that the increases in non-dependant deductions is having a significant effect on homelessness, although inevitably it will be having a significant effect on the incomes of the people claiming HB/CTB.

### **Change introduced from January 2012**

#### *Extension of the HB shared accommodation rate to people aged under 35*

29. From January 2012, the age limit for the shared accommodation rate for single people was raised from 25 to 35. The existing exemption for severely disabled people who live alone also applies to people aged 25 to 34. In addition, there are two further categories of exemption for people aged 25 to 34 living in self-contained accommodation:
- (a) People who have previously occupied a homeless hostel for a period of at least 3 months, and
  - (b) Ex-offenders who could pose a risk of serious harm to the public, or are subject to management by the Multi-Agency Public Protection Panel (MAPPA).
30. The change affects anyone making a new claim for LHA, or anyone changing their address from January 2012. Existing customers are having their LHA amended on the anniversary date of their claim, over the period January 2012 to December 2012, depending on when they made their LHA claim. However, there is no extra transitional protection for these customers. People affected by this change will generally see their HB reduce from £75 per week to £55 per week.
31. As with the other LHA changes, very few enquiries have been received as a result of the transitional protection letters being sent throughout 2011. Since this change came into effect in January 2012, and as people's transitional protection has come to an end, more enquiries have been received. This has resulted in an increase in the number of DHP awards for this age group. Since January 2012, 14 DHP awards have been made to people aged 25 to 34. Some of these have been as a result of people stating they did not receive the transitional protection letter. In one case, the customer will be 35 in June 2012, so the DHP award is bridging that gap.
32. Information from staff suggests that some people affected by the reduction in benefit have moved out of the area; moved back with parents; shared with someone else; or taken in another person to share with. There has been an increase in enquiries from landlords to check if a prospective tenant would meet with one of the new exemptions. Some landlords have indicated that they are no longer renting to single people under 35 and some are making enquiries before issuing a tenancy.
33. The Housing Options team have also become aware of an increase in the number of landlords giving less security of tenure, making it easier for them to give notices to tenants where there has been a breach of the tenancy agreement. The net result of all of these impacts is that it is becoming increasingly harder to find accommodation for single people under 35.

## **Longer term reform – changes from April 2013**

### *Increases in LHA rates based on the Consumer Price Index*

34. LHA rates are currently set by the Valuation Office Agency, based on actual levels of local rents and updated each month. From April 2012 these rates will be ‘frozen’ and no further updates will be received. From April 2013, LHA rates will then be updated instead on the basis of the Consumer Price Index.
35. Since 1997, rents have increased in the private sector by 63%, whilst the Consumer Price Index has increased by only 17%. This may mean that LHA rates will no longer reflect actual levels of local rents and therefore fewer properties will be available to rent for people claiming HB.

### *Introducing a size criteria for the social rented sector*

36. From April 2013, HB for working age social rented sector tenants will be restricted for those who are occupying a larger property than their household size and structure needs. This change does not apply to pensioners.
37. At this stage it is not known how many people may be affected by this change as details of property sizes for people living in the social rented sector is not captured as part of the HB application. However, the Government have calculated that nationally 200,000 people may be affected. It is intended that people affected by this change will have their HB reduced by a percentage, possibly by 10% for one bedroom under occupation and 20% for two or more bedrooms.
38. There will be protection for disabled people who have an additional bedroom for a non-resident carer providing overnight care. However, anyone else adversely affected by this change may only be able to receive protection via the DHP scheme. Already there is a shortage of accommodation for single people; therefore the impact of this change could be significant for some social housing residents. An increase in rent arrears is also anticipated.

### *Overall cap on total benefits received*

39. From April 2013, an overall maximum limit on the benefits one family can claim will be set at the amount “the average family gets for going out to work”, which will be around £26,000 each year, or £500 each week. The cap will apply to the combined income from benefits including Jobseekers Allowance, tax credits, HB and CTB. It is proposed that the full amount of benefits and tax credits administered by the DWP and Her Majesty’s Revenue and Customs will be paid, and the cap would be applied by Local Authorities on HB and CTB.
40. It is estimated at this stage that less than 100 families in Darlington will be affected by this change, as the proposed cap of £26,000 is well above the combined levels of benefits, tax credits and HB/CTB levels people in Darlington currently receive. People claiming Disability Living Allowance and War Widows benefits would be excluded, as will working families receiving Working Tax Credit.



*Local Welfare Provision to replace the Social Fund*

41. A new local service is one element of the new provision that will replace the Discretionary Social Fund. The new Local Welfare Provision will include:
  - (a) Crisis loans for general living expenses and those that arise as a result of an emergency or disaster, including white goods and furniture.
  - (b) Community care grants for a range of expenses including household equipment. These are primarily intended to support vulnerable people to return to or to remain in the community or ease pressures on families.
42. Alignment payments will continue to be administered by the DWP, where a need arises in connection with the operation of the benefits system (loans paid pending an initial payment of DWP benefits).
43. Although these proposals are not directly related to HB reform, Darlington Borough Council will need to consider how the administration of this new discretionary grant links with other discretionary grants and welfare payments it administers. The Transformation Team are currently leading on this project

*CTB to be replaced by Council Tax Support*

44. From April 2013, the Government is proposing to replace CTB with new local Council Tax Support schemes, designed and administered by local authorities. Grants will be paid to local authorities to fund the new scheme, but the overall amount will be cut by 10% from existing expenditure levels.
45. The Council will need to design and publish a new scheme by 31<sup>st</sup> January 2013, in time to implement for annual Council Tax billing in 2013/2014. A full public consultation exercise will need to be undertaken on the proposed scheme, together with consultation with precepting authorities. However, detailed work cannot commence until the draft regulations have been published. Details of the framework for local schemes will be set out in regulations, which the government intends to publish in draft form in the spring of 2012.

*Universal Credit to replace all existing means tested benefits*

46. All means tested benefits (including HB) and tax credits paid to working age customers are to be replaced by a single Universal Credit. HB will therefore be abolished and replaced by a housing costs element of the new Universal Credit, administered centrally by the DWP. Housing costs for pensioners will be paid as part of the Pension Credit. It is intended that at least 80% of Universal Credit claims will be made digitally.
47. It is intended that Universal Credit will commence in October 2013, starting with people who would previously have claimed Jobseekers Allowance. New claims for support with housing costs for working aged customers will be included in Universal Credit by April 2014. Housing costs for pensioners will be included in Pension Credit by October 2014. Existing HB claims will then be moved over in phases up until the end of 2017.

48. The DWP had previously been reluctant to allow any Local Authority involvement in the administration of Universal Credit, but welfare minister Lord Freud has now written to the Local Government Association inviting proposals. He said a prospectus would be issued in April 2012 for short-term and long-term pilots, with a goal of helping people access “digital services and the labour market”. Short-term pilots will be used to ensure councils are ready for the new system’s launch in 2013. Long-term pilots will help to develop integrated working and diverse models for delivering Universal Credit after 2015.

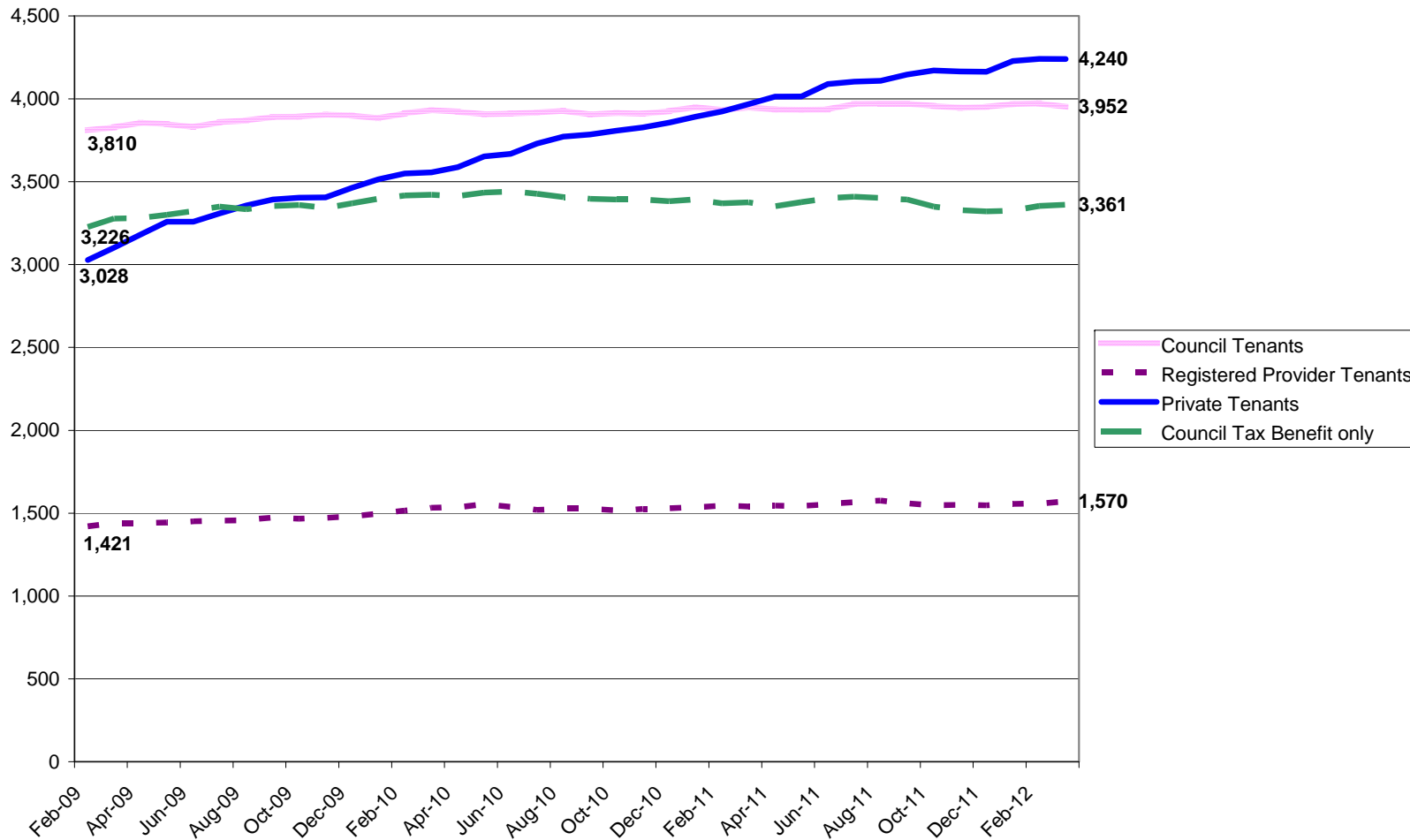
*Direct payment of HB for social rented tenants*

49. As part of the introduction of Universal Credit, the Government plans to pay HB direct to social rented tenants in the same way that HB is paid to tenant in privately rented accommodation. Payments will also be made on a monthly basis. Five Local Authority and Housing Association partnerships will undertake demonstration projects from June 2012 to June 2013 to test how tenants will be able to manage HB monthly payments ahead of the introduction of Universal Credit in October 2013.
50. The projects will look at the appropriate level of safeguards needed to help secure landlord income streams if tenants fall behind on their rent. The projects will also inform how changes will be communicated to tenants, how assistance with budgeting to successfully pay their rent will be provided and how tenants experiencing financial difficulties will be supported.

**Outcome of consultation**

51. As the majority of these reforms do not represent a change in Council policy, consultation is not appropriate. However, events to communicate the LHA changes to local private landlords have taken place, including consultation about the revised LHA safeguarding policy.
52. Details of the HB reforms have been placed on the Darlington Borough Council website. Individual customers directly affected by the changes are receiving letters when their LHA is reviewed to inform them about any transitional protection and the likely amount of HB they will be receiving once transitional protection ends.

Increase in the number of people claiming HB/CTB since February 2009



DHP awards 2011/2012

<b>Reason for award</b>	<b>Number of awards</b>	<b>Total value of awards</b>
LHA shortfall – single person and pregnant aged under 25	56	£10,588
LHA shortfall – other reason	83	£10,529
LHA shortfall – single person aged under 25	59	£9,851
Customer has high level of debts	69	£6,009
Customer requires support to take up work	23	£3,663
Housing Options referral to avoid homelessness	17	£1,905
LHA shortfall – single person aged 25 to 34 (from January 2012)	12	£1,879
LHA shortfall - children in care	11	£1,558
LHA shortfall – parent with non-resident children	6	£843
Customer has received incorrect advice	4	£483
Low income due to non-dependant deductions	3	£426
Other reason (non-LHA)	6	£298
Recently unemployed	2	£250
Low income due to other deductions from benefit	2	£203
LHA shortfall – single person and pregnant aged 25 to 34 (from January 2012)	2	£160
Previously homeless	1	£86

## 53. HB non-dependant deductions

Non-dependant's income	April 2010	April 2011	April 2012	Number of claims affected
<ul style="list-style-type: none"> <li>• Aged under 18, any income, or</li> <li>• In receipt of Pension Credit, or</li> <li>• In receipt of the assessment phase of income related Employment and Support Allowance, or</li> <li>• Aged under 25 and in receipt of Income Support or income based Jobseekers Allowance.</li> </ul>	£0.00	£0.00	£0.00	529
<ul style="list-style-type: none"> <li>• Aged 18 or over and not in remunerative work, or</li> <li>• Aged 25 and over and in receipt of Income Support or income based Jobseekers Allowance</li> </ul>	£7.40	£9.40	£11.45	250
Aged 18 or over and in remunerative work:				
<ul style="list-style-type: none"> <li>• Gross income less than £124.00 each week</li> </ul>	£7.40	£9.40	£11.45	
<ul style="list-style-type: none"> <li>• Gross income £124.00 to £182.99 each week</li> </ul>	£17.00	£21.55	£26.25	22
<ul style="list-style-type: none"> <li>• Gross income £183.00 to £237.99 each week</li> </ul>	£23.35	£29.60	£36.10	22
<ul style="list-style-type: none"> <li>• Gross income £238.00 to £315.99 each week</li> </ul>	£38.20	£48.45	£59.05	26
<ul style="list-style-type: none"> <li>• Gross income £316.00 to £393.99 each week</li> </ul>	£43.50	£55.20	£67.25	13
<ul style="list-style-type: none"> <li>• Gross income £394.00 or more each week</li> </ul>	£47.75	£60.60	£73.85	22

## CTB non-dependant deductions

Non-dependant's income	April 2010	April 2011	April 2012	Number of claims affected
<ul style="list-style-type: none"> <li>Aged under 18, any income, or</li> <li>In receipt of Pension Credit, Income Support, income related Employment and Support Allowance or income based Jobseekers Allowance</li> </ul>	£0.00	£0.00	£0.00	955
Aged 18 or over and not in remunerative work	£2.30	£2.85	£3.30	213
Aged 18 or over and in remunerative work:				
<ul style="list-style-type: none"> <li>Gross income less than £183.00 each week</li> </ul>	£2.30	£2.85	£3.30	
<ul style="list-style-type: none"> <li>Gross income £183.00 to £315.99 each week</li> </ul>	£4.60	£5.70	£6.55	111
<ul style="list-style-type: none"> <li>Gross income £316.00 to £393.99 each week</li> </ul>	£5.80	£7.20	£8.25	39
<ul style="list-style-type: none"> <li>Gross income £394.00 or more each week</li> </ul>	£6.95	£8.60	£9.90	76