

# Housing, Health And Adult Social Care Select Committee

## Supplementary Agenda

Tuesday 16 November 2010

7.00 pm

Courtyard Room - Hammersmith Town Hall

### MEMBERSHIP

Administration:	Opposition	Co-optees
Councillor Andrew Johnson (Chairman) Councillor Oliver Craig Councillor Charlie Dewhirst Councillor Gavin Donovan Councillor Marcus Ginn Councillor Steve Hamilton	Councillor Iain Coleman Councillor Stephen Cowan Councillor Rory Vaughan (Vice- Chairman)	Maria Brenton, HAFAD

**CONTACT OFFICER:** Sue Perrin  
Committee Co-ordinator  
Councillors Services  
☎: 020 8753 2094  
E-mail: sue.perrin@lbhf.gov.uk

Reports on the open agenda are available on the [Council's website](http://www.lbhf.gov.uk/Directory/Council_and_Democracy):  
[http://www.lbhf.gov.uk/Directory/Council and Democracy](http://www.lbhf.gov.uk/Directory/Council_and_Democracy)

Members of the public are welcome to attend. A loop system for hearing impairment is provided, along with disabled access to the building.

Date Issued: 10 November 2010

# Housing, Health And Adult Social Care Select Committee

## Supplementary Agenda

16 November 2010

<u>Item</u>		<u>Pages</u>
<b>5.</b>	<b>HOUSING BENEFITS</b>	<b>1 - 12</b>
	This report updates the Committee on the Housing Benefit caps from April 2011.	

London Borough of Hammersmith & Fulham



## HOUSING, HEALTH AND ADULT SOCIAL CARE SELECT COMMITTEE

DATE	TITLE	Wards
16 November 2010	<b>Housing Benefit caps from April 2011</b>	All

### SYNOPSIS

- Housing benefit caps will be applied to private rented sector and leased accommodation from April 2011.
- At this early stage, we do not know exactly who will be affected or what actions will be required in order to respond to the caps. We do know, however, that relatively few households in H&F will be above the caps.
- We need to build a full picture of each affected household and their needs prior to making any decisions about how best to resolve the caps issue for that household. No decisions have yet been made on behalf of any household.
- We are working proactively with housing associations and landlords to bring down rents to levels within the caps wherever possible, thereby reducing the number of affected households.
- However, it may be January 2011 at least before some landlords decide whether to reduce their rents. Action plans for these households can only be determined once the landlord's intentions are known.
- More detail will be provided to Committee as it becomes available.

CONTRIBUTORS	RECOMMENDATION(S)
Housing Options Housing Benefit Department	That the committee note the proposed caps on Housing Benefit that will be in place from April 2011.

### CONTACT

Nick Johnson, Director of Housing

**1. What Housing Benefit caps are being introduced from April 2011?**

1.1 Since the Emergency Budget in June 2010, the Government has announced various caps on Housing Benefit which will be in place from 1<sup>st</sup> April 2011.

1.2 The caps which will apply from 1<sup>st</sup> April can be considered in two parts-

- i) Caps on housing benefit for residents in the private rented sector, and
- ii) Caps on housing benefit for residents in leased accommodation.

**2. Caps on housing benefit for residents in the private rented sector**

2.1 Guidance from Government sets out the range of caps that will be applied from 1<sup>st</sup> April for Local Housing Allowance<sup>1</sup> claimants in the private rented sector. A summary of the key changes is below, taken from an “FAQs” document produced by the Department for Work and Pensions (see attached for the full FAQs document):

*From 1 April 2011 the Government plans to:*

- remove the five bedroom Local Housing Allowance rate so that the maximum level is for a four bedroom property
- introduce absolute caps so that Local Housing Allowance weekly rates in any area cannot exceed:
  - £250 for a one bedroom property
  - £290 for a two bedroom property
  - £340 for a three bedroom property
  - £400 for a four bedroom property

*From October 2011 the Government plans to:*

- reduce all Local Housing Allowance rates so that about 3 in 10 properties for rent in the area should be affordable to people on Housing Benefit rather than every 5 in 10 properties as now.

2.2 The table below provides a comparison of the current and capped levels of Local Housing Allowance, based on the June 2010 rate (i.e. when the caps were announced).

Item	Period	Local Housing Allowance	Property bed size				
			1	2	3	4	5
A	Jun-10	LHA - Inner West London (based on 50th percentile of local market rents)	£240	£304	£395	£525	£813
B	Apr-11	National LHA caps (based on bed size)	£250	£290	£340	£400	N/A
C	Oct-11	LHA - Inner West London (capped at 30th percentile of local market rents*)	£220	£277	£334	£400	N/A

*\* projection based on June 2010 LHA rates*

2.2.1 Item A in the table above shows the LHA rates by bedroom size for June 2010 in the Inner West London area, which is the area covering the majority of Hammersmith &

<sup>1</sup> Housing Benefit paid to residents in the private rented sector is known as “Local Housing Allowance”

Fulham. These rates are currently set by collating all rents within a local rental market area and then identifying the median (50<sup>th</sup> percentile).

- 2.2.2 Item B shows the national caps which will be placed on LHA by bed size, with the 5 bedroom rate removed.
- 2.2.3 Item C shows the projected LHA rates for Inner West London, capped at the 30th percentile of the local rental market area. As we do not yet know what the October 2011 LHA rates will be, projections have been based on June 2010 rates.
- 2.3 These caps will apply from the anniversary of a claimant's LHA application, which means that some LHA claimants will be affected almost immediately after April 1st, while others will have a longer period before their LHA payments will be capped.

### **3. Caps on housing benefit for residents in leased accommodation**

- 3.1 In order to carry out their statutory housing duties, many councils lease self-contained properties from private landlords. These properties provide temporary accommodation for homeless households until they are successful in securing permanent or alternative rehousing.
- 3.2 Many housing associations also run their own leasing schemes and work in partnership with councils, who nominate homeless households to occupy the properties they lease.
- 3.3 These leasing schemes operate on a "Housing Benefit subsidy", which is paid to councils or housing associations from HB departments, and covers rental payments for tenants who are benefit claimants, plus an additional amount for management costs.
- 3.4 Since 1<sup>st</sup> April 2010, subsidy caps (based on the formula  $LHA - 90\% + £40$ ) have been applied by Government to Housing Benefit payments on properties leased as homeless accommodation directly by councils.
- 3.5 As in the attached letter dated 29<sup>th</sup> July 2010, the DWP has confirmed that these same Housing Benefit subsidy caps will also be applied from 1<sup>st</sup> April 2011 to properties leased homeless accommodation by housing associations.

An extract from the DWP letter is below, which details the key areas of change:

*...The following has been decided:*

- *to extend the scope of the LHA-based subsidy scheme to include HALs;*
- *to keep the current subsidy formula ( $LHA - 10\% + £40 / £60$  with upper cap limits of £500 or £375) until at least April 2013; and*
- *to fix subsidy in 2011/12 and 2012/13 at 2011/12 levels (based on January 2011 LHA rates).*

*The subsidy rates for 2013/14 and possibly beyond that will be decided nearer the time, when the full impact of the recent Budget measures should be clearer.*

- 3.6 To explain the above:
  - 3.6.1 The first point means that the current cap on council-leased accommodation will also apply to Housing Association Leased accommodation.

- 3.6.2 The second point means that the same formula-based subsidy caps will apply, which in London is LHA-10%, plus £40 for management costs (£60 outside of London). The upper limit for any subsidy payment for London will be £500 regardless of bed size (£375 outside of London). This subsidy cap will be in place until at least April 2013.
- 3.6.3 The third point means that the subsidy cap from April 2011 until at least April 2013 will be calculated using the January 2011 LHA rate.
- 3.7 As we do not yet know what the January 2011 LHA rate will be, projections for this cap have been done based on the August 2010 rates, as below.

Period	Local Housing Allowance	Property bed size				
		1	2	3	4	5
Apr-11	National leasing subsidy caps (based on the formula LHA – 10% + £40 and bed size caps)	£262.66	£323.50	£399.99	£500.00	£500.00

- 3.8 Unlike the private rented sector caps which will apply from the anniversary date of the claim, the caps on HB subsidies for leased accommodation will apply to every Housing Association Leased claim from 1<sup>st</sup> April 2011.

#### 4. Who is likely to be affected by the caps in H&F?

- 4.1 Over 23,000 residents currently claim some form of Housing Benefit in H&F. We know from our records that a very small number of claims, approximately 1300, are currently at levels which would be above the caps.
- 4.2 At this early stage, the full impacts of the caps are unclear. Before any decisions can be taken on how best to respond to the caps, we need to first understand where these households are located and what their individual circumstances are.
- 4.3 We are working in partnership with our Housing Association colleagues to identify the affected households in leased accommodation. To build a full picture of the implications of the caps, we will be working hard to understand the each household's needs.
- 4.4 In conjunction with the housing associations, once households are properly identified, we will be proactively contacting landlords to discuss the caps. Our aim will be to negotiate with landlords to bring as many rents as possible down to levels within the caps.
- 4.5 Absolutely no decisions have been taken to terminate arrangements for any residents in temporary accommodation or other leased accommodation.
- 4.6 We will also be doing everything possible to work with private sector landlords to bring rents down to levels within the caps. In addition, our Housing Options advisers are already available to provide residents with full and through advice about the options available to them.
- 4.7 It will be very difficult to fully understand the impact of the caps until much closer to April 2011. As in Section 3.6.3 above, the leased accommodation caps will be based on the January 2011 Local Housing Allowance rate. Landlords are already indicating to our Housing Association colleagues that until they know the levels of the confirmed caps (rather than the projected caps as shown in Section 3.7 above), they are reluctant to make any firm decisions about whether they will decrease their rents or not.

4.8 Whilst we will make every endeavour to secure agreement sooner from landlords, we expect that many will therefore wait until January 2011 at least to decide on the level of rent they are willing or able to accept following 1<sup>st</sup> April 2011. Only then will we be in a position to determine which course of action is most appropriate for affected households.

## 5. Help from the government

5.1 In October 2010, the government announced a one-off grant of £10M to be allocated to councils in London to assist with the transition from the current benefits system to the caps system. H&F has been allocated £400K from this £10M.

5.2 This transitional funding is to be used to support councils to undertake the necessary actions in moving to the caps system, and will be directed toward activities such as:

- Working with housing associations to properly identify affected households
- Producing literature and information guides for landlords and residents about the changes
- Working with landlords to renegotiate lower rents
- Provision of debt and money advice services.

Once the scope and impacts of the caps are properly understood, we will create a full action plan. At that later date, we will be able to provide more detail to Committee about the proposed mitigations and actions.

### LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Frequently Asked Questions published by the Department for Work and Pensions	Attached (appendix 1)	<a href="http://www.dwp.gov.uk/docs/lha-faq.rtf">www.dwp.gov.uk/docs/lha-faq.rtf</a>
2.	Letter from Department for Work and Pensions dated 29 <sup>th</sup> July 2010	Attached (appendix 2)	Attached

## **Changes to Housing Benefit from April 2011 and October 2011**

The Government is planning to make legislation in November 2010 that will change the Local Housing Allowance rules from April and October next year. Until the legislation is in place we cannot give you specific advice as to how you might be affected but the information below is based on the announcements made by the Government.

### **The changes**

From 1 April 2011 the Government plans to:

- end the maximum £15 weekly Housing Benefit excess that some customers can receive under the Local Housing Allowance arrangements
- remove the five bedroom Local Housing Allowance rate so that the maximum level is for a four bedroom property
- introduce absolute caps so that Local Housing Allowance weekly rates in any area cannot exceed:
  - £250 for a one bedroom property
  - £290 for a two bedroom property
  - £340 for a three bedroom property
  - £400 for a four bedroom property

From October 2011 the Government plans to:

- reduce all Local Housing Allowance rates so that about 3 in 10 properties for rent in the area should be affordable to people on Housing Benefit rather than every 5 in 10 properties as now.

The Government also intends to make a change to help disabled people who have a carer who stays overnight but who doesn't normally live with them. The change means that your Housing Benefit will take into account the cost of an additional bedroom providing you rent a property which has a bedroom for your carer.

The questions and answers below are intended to explain in more detail how the changes, as announced in the Emergency Budget, are likely to effect Housing Benefit entitlement.

### **Questions and Answers**

#### **Will I be affected by the changes to Local Housing Allowance rates?**

If you are renting from a private landlord and you made your claim for Housing Benefit at your current address on or after the 7 April 2008 it is likely that you will be affected by these changes.

### **I have been getting Housing Benefit since before April 2008 could the changes affect me?**

Providing you continue to live in the same property and you don't have a break in your Housing Benefit claim the Local Housing Allowance arrangements will not apply to you.

### **Will I be affected by the caps?**

The caps are most likely to affect people who are renting properties in central London boroughs. If your weekly rent is more than the cap for the Local Housing Allowance rate that applies to you, your Housing Benefit will be reduced.

### **How do I know which Local Housing Allowance rate applies to me?**

You can use the following information as a guide to work out how many bedrooms you are allowed. You are allowed one bedroom for:

- every adult couple (married or unmarried)
- any other adult aged 16 or over
- any two children of the same sex aged under 16
- any two children aged under 10
- any other child

The maximum allowance is for four bedrooms from 1 April 2011.

Different rules may apply if you are under 25 or live in shared accommodation. Contact your local authority for further information. [Provide link to local authority website] **OR** [Further information about this is on the [LHA Direct](#) website]

### **I need a property with more than four bedrooms. Will I only get benefit at the four bedroom rate?**

The maximum Housing Benefit you get will be based on the four bedroom rate. You can still look for properties with more than four bedrooms, or other rooms that can be used as bedrooms, with rents that are within the four bedroom rate.

### **I am sharing a house with other people will the changes to Local Housing Allowance rates affect me?**

The new way of setting Local Housing Allowance rates from October 2011 could lead to a reduction in the shared room rate.

### **I am living in a self contained studio flat what rate applies to me?**

The one bedroom Local Housing Allowance rate will apply to you.

### **I am already getting Housing Benefit when will I be affected by the changes?**

If you are already getting Housing Benefit you will not normally be affected until the anniversary of your claim. But if there is a change in your household such as someone leaving or someone coming to live with you or if you move the changes could apply sooner.

### **When is my anniversary date?**

Your anniversary date is the date you first made your current claim. For example, if you claimed Housing Benefit on 5 September 2008 your anniversary date is 5 September.

This means that the changes the Government is making from 1 April 2011, such as removing the £15 excess or capping Local Housing Allowance rates, could affect you from 5 September 2011. The changes it is making from 1 October 2011 could affect you from 5 September 2012.

### **How will I know what the Local Housing Allowance rates will reduce to from October 2011?**

**OR**

### **If I am thinking of renting and claiming Housing Benefit, how much rent should I agree to pay?**

There is information available about the levels of Local Housing Allowance rates that might apply from 1 October 2011 based on current rent levels. You can go to one of the following websites:

England      [English Local Housing Allowance Rates](#)  
Wales         [Welsh Local Housing Allowance Rates](#)  
Scotland     [Scottish Local Housing Allowance Rates](#)

This information will give you an idea of the amount of rent that might be met by Housing Benefit from 1 October 2011. The figures are estimates and will be updated regularly. Rent levels and rates may change between now and October 2011.

You also need to remember that in some areas, such as central London, Local Housing Allowance rates will be restricted as follows from 1 April 2011:

- £250 for a one bedroom property
- £290 for a two bedroom property

- £340 for a three bedroom property
- £400 for a four bedroom property

**Where can I get information about Local Housing Allowance rates in other London areas?**

You can visit the Valuation Office Agency website [LHA Direct](#) which publishes current Local Housing Allowance rates. The Valuation Office Agency has also published estimates of the rates that might apply from October 2011 [English Local Housing Allowance Rates](#)

**The rent I am paying now is likely to be more than the Housing Benefit I will get when the changes come in. What should I do?**

You can talk to your landlord about the changes and see if they will drop the rent on your property. If that isn't possible you could start looking for somewhere cheaper. You might want to talk about your situation with your local authority housing options team and Housing Benefit department, or the Citizens Advice Bureau.

**My landlord won't reduce my rent and it is going to be difficult for me to move is there any other help?**

Your local authority can help some people with a Discretionary Housing Payment to meet the gap between their benefit entitlement and the rent they pay. The amount of money available for these payments is limited so your authority will have to consider your circumstances carefully.

**My Housing Benefit is paid directly to my landlord, what should I do if my Local Housing Allowance rate is reduced? Or how will I know that the amount paid to my landlord will still meet my rent?**

The Housing Benefit department at your local authority will be able to give you information. You might find it helps to talk to your landlord about the changes.

**I am getting an excess between my rent and my Local Housing Allowance rate. Will I stop getting this?**

If you are getting an excess it will stop from your anniversary date following 1 April 2011.

**Do I have to be getting Housing Benefit under the Local Housing Allowance arrangements to get the allowance for another bedroom for an overnight carer?**

No. This change applies to all tenants who meet the qualifying conditions and live in privately rented accommodation no matter how their Housing Benefit is worked out.

**I think I will be due an increase in my Housing Benefit because I have a carer who stays overnight – who should I tell?**

Make sure that your local authority knows you have an overnight carer so that they can look at your Housing Benefit entitlement again. You must already have an extra bedroom in your home available for the carer to use before you get this help. If you are already getting Housing Benefit and meet the conditions for this extra help you will be entitled to it from the date the legislation becomes effective.

**What about extra rooms for other circumstances such as disabled children, couples that cannot share a room or where extra space is needed for medical equipment?**

The change only applies where the person making the Housing Benefit claim, or their partner, needs overnight care.

Ian Jones  
London Councils

**Our address**

1<sup>st</sup> Floor  
Caxton House  
Tothill Street  
London  
SW1H 9NA

**Our phone number**  
**Website**

020 7449 5346  
[www.dwp.gov.uk](http://www.dwp.gov.uk)

Thursday 29 July 2010

Dear Ian,

**Further changes to Housing Benefit subsidy for people living in temporary accommodation**

We said in subsidy circular HB/CTB S3/2010, circulated in April earlier this year, that we intended to extend the Housing Benefit (HB) subsidy scheme that applies to customers living in temporary accommodation to include leased accommodation where a registered housing association is the landlord. These are commonly referred to as Housing Association Leasing (HAL) schemes.

We have also said more recently that we would look at the subsidy arrangements for 2011/12 and beyond in light of the recent Budget measures that will affect Local Housing Allowance rates from next year.

Lord Freud has written to the Minister for Housing, Rt. Hon. Grant Shapps MP, and counterparts in the devolved administrations setting out that the following has been decided:

- to extend the scope of the LHA-based subsidy scheme to include HALs, and leased accommodation held within the Housing Revenue Account in Scotland, from April 2011;
- to keep the current subsidy formula (LHA-10% + £40 / £60 with upper cap limits of £500 or £375) until at least April 2013; and
- to fix subsidy in 2011/12 and 2012/13 at 2011/12 levels (based on January 2011 LHA rates).

The subsidy rates for 2013/14 and possibly beyond that will be decided nearer the time, when the full impact of the recent Budget measures should be clearer.



As with previous reforms in this area, the extended subsidy scheme will apply to all relevant cases, existing and new, from April 2011. There are no plans to offer protection of HB subsidy to any existing cases.

We hope to commence a formal consultation on the draft legislation with local authority association representatives as early in August as we possibly can. You may notice that the routine consultation on next year's subsidy claim form, which begins tomorrow, includes changes to reflect the above reforms. This is not to pre-empt the outcome of the consultation. It is necessary to present these changes for comments alongside the reform consultation because of the tight timescales. If we have to make further changes to the claim as a result of either consultation exercise, we can do.

If you have any immediate queries, please contact Joe Stacey on the above telephone number or email him at [joseph.stacey@dwp.gsi.gov.uk](mailto:joseph.stacey@dwp.gsi.gov.uk).

I am sending this letter to each of the local authority associations. For your information, a copy of the letter from Lord Freud is also attached.

Yours sincerely

Paul Howarth  
Head of HB Strategy Division