

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH AND HOUSING COMMITTEE

Agenda Item No 11

meeting date: 16 SEPTEMBER 2010
title: CHANGES TO HOUSING BENEFIT ANNOUNCED IN THE EMERGENCY BUDGET
submitted by: DIRECTOR OF RESOURCES
principal author: MARK EDMONDSON

1 PURPOSE

1.1 To inform Committee of the changes to housing benefit that were announced in the Government's emergency budget on 22 June 2010.

1.2 Relevance to the Council's ambitions and priorities:

- Council ambitions/community objectives/corporate priorities

Housing benefit impacts directly on our ambition to match the supply of homes in our area with the identified housing need. The changes outlined in the emergency budget will have a direct impact on the affordability of housing for local people in receipt of housing benefit.

2 BACKGROUND

2.1 Total spending on housing benefit increased from £14bn ten years ago to £21bn today. Spending in the Ribble Valley has increased from £4.3m in 2005/6 to an estimated £6.2m in 2010/11.

2.2 The Chancellor in the emergency budget indicated that such a 50% increase was unsustainable, and outlined reforms which would reduce the costs of housing benefit by £1.8bn a year (7% of the total budget) by the end of this parliament.

2.3 The number of recipients of housing benefit in the Ribble Valley has increased from 1,461 in 2005/6 to 1,661 today. This equates to approximately 7% of our total domestic housing stock.

2.4 The amount of housing benefit payable is based on the Local Housing Allowance (LHA) rates in the area that the property is situated and the customers financial circumstances.

3 BUDGET REFORMS

3.1 From April 2011 deductions for non-dependants will be uprated in line with prices. These deductions have been frozen since 2001/2 and currently range from £7.40 for non dependants with a gross income of less than £120.00 per week to £47.75 for those with a gross income of more than £382.00 per week.

3.2 From April 2011 LHA rates will be capped at £250 per week for a one bedroomed property, £290 per week two bedroomed property, £340 per week for a three bedroomed property and £400 per week for four bedrooms or more. NB This change will not affect any housing benefit recipients in the Ribble Valley.

- 3.3 From April 2011 housing benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom.
- 3.4 From October 2011 LHA will be set at the 30th percentile of local rents.
- 3.5 From April 2013 housing entitlements for working age people in the social sector will reflect family size.
- 3.6 From April 2013 housing benefit awards will be reduced to 90% of the initial award after 12 months for claimants receiving job seeker allowance.
- 3.7 From April 2011 benefits will be uprated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).
- 3.8 From 2013/14 LHA rates will be uprated in line with CPI.
- 3.9 The Government contribution to discretionary housing payments (DHP) will be increased by £10m in 2011/12, and £40m in each year from 2012/13.

4 ISSUES

- 4.1 These reforms will impact on most recipients of housing benefit in the Ribble Valley.
- 4.2 The Valuation Office Agency (VOA), who are responsible for calculating LHA rates, have provided some indicative figures based on the change from median to 30th percentile using data available in June 2010 these are attached at Annex 1. NB These figures are likely to change as LHA rates change between now and October 2011.
- 4.3 The Department for Work and Pensions (DWP) have also produced a report looking at the impact of these changes. They estimate that nationally LHA recipients will lose on average £12 per week. Furthermore, this report estimates that in the Ribble Valley 390 claimants will see a reduction in the level of LHA that they receive.
- 4.4 The report also states that the availability of private sector accommodation at or below LHA rates will reduce from 54% to 32% in central Lancashire and 56% to 37% in East Lancashire.
- 4.5 It is likely that we will see an increase in applications for Discretionary Housing Payments (DHP) as recipients of housing benefit are unable to meet their rental payments in full.
- 4.6 The Council's landlord/tenant grant renovation scheme is based on LHA rates. This popular scheme may be affected by reductions in LHA rates, as fewer landlords decide to participate.

5 RISK ASSESSMENT

Resources

- 5.1 If successful applications for discretionary housing payment exceed the additional grant that will be available the cost will be met by the Council.
- 5.2 These changes could impact on the landlord/tenant renovation grant scheme, as fewer landlords wish to participate.

5.3 Demand for advice and help with homelessness may increase.

Technical, Environmental and Legal

5.4 The reforms will apply nationally and as such must be implemented.

Equality and Diversity

5.5. The impact of these reforms will fall disproportionately on the most vulnerable groups in the Ribble Valley, as they tend to make up a greater proportion of our caseload.

Political and Reputational

5.6 These reforms have been implemented by the Government and as such should not impact on the Council.

6 CONCLUSION

6.1 The Chancellor has introduced these reforms as he has indicated that the increasing costs of housing benefit are unsustainable.

6.2 It is not clear precisely how these reforms will impact the Ribble Valley and therefore we will continue to monitor the situation.

6.3 Additional resources may be required to meet the cost of discretionary housing payments and increased demands on our housing function.

REVENUES AND BENEFITS MANAGER

HH7-10/ME/AC
5 August 2010

Indicative Figures provided by Valuation Office Agency

Broad Rental Market Area (BRMA)	Current at June 2010						30 th percentile				
	1 room	1 bed	2 bed	3 bed	4 bed	5 bed	1 room	1 bed	2 bed	3 bed	4 bed
Central Lancs	48.00	92.05	115.07	132.33	172.60	201.37	44.00	87.45	109.32	120.82	149.59
East Lancs	51.00	94.89	92.05	113.92	159.95	166.85	46.00	80.55	87.45	103.56	137.51
West Pennine	59.00	79.00	86.30	103.56	149.59	195.62	55.83	74.79	85.00	95.00	138.08