

Briefing Paper

Welfare Benefit System and Housing

December 2010

Introduction

Housing Benefit is designed to give financial support to people who would otherwise have difficulty in affording a home. Tenants on low incomes are eligible to apply for Housing Benefit, and can receive a payment that meets either all or part of their housing costs. In some circumstances service charges are also eligible for housing benefit.

The amount of Housing Benefit payable depends on the circumstances of the claimant, and their housing costs. The Housing Benefit rules and regulations are very complex. To be eligible to receive Housing Benefit, a person's income must be below a certain level and they must pay a reasonable level of rent regarding the needs of their household and the area in which they live (if the rent is considered to be too high it is not eligible for benefit). The level of savings held by the claimant is also taken into account.

Many authorities have had difficulty in administering Housing Benefits, and in particular in meeting the target of determining all new claims within fourteen days of their receipt. This not only causes inconvenience for claimants, but can also have a serious effect on the cash flow position of registered social landlords. It also makes it more difficult for authorities to prevent errors or fraud. The amount of work involved in processing new claims and managing existing claims can be significant, and authorities have cited this as a reason for poor administration, along with government imposing bureaucratic procedures. However, recent years have seen significant improvements in the service in many authorities.

Tenants of housing associations are subject to the same calculation of housing benefit entitlement as local authority tenants, but unlike local authority tenants they can insist on direct payment.

Increased Reliance on Housing Benefit

The way in which government provides financial support for housing has changed significantly since the 1970s. In 1979, government spent £20billion (at current prices) of which 61% was on 'bricks and mortar', 28% on tax relief and 11% on housing benefit. Since then the emphasis has changed from providing direct funding for housing to providing funding to individuals to enable them to afford to pay rent. This has seen a significant increase in social rents. As a result, by 1996/97, while total government spending on housing had fallen to £18billion (at current prices) 57% was spent on housing benefit, 22% on 'bricks and mortar' and 20% on tax relief. (Source: Housing Finance by David Garnett and John Perry, published by Chartered Institute of Housing). This trend has continued until the present day. In 1999/2000 the cost of housing benefits was £11billion. This had increased to £20billion in 2009/10.

In 2006 the Department for Work & Pensions (DWP) published a Green Paper 'A New Deal for welfare: Empowering People to Work'. This led to the passing of the 2007 Welfare Reform Act. This provided for:

- The roll out of the Local Housing Allowance (LHA) nationally
- The withdrawal of housing benefit for those evicted for ant-social behaviour.
- Greater powers for the DWP and local authority data sharing.

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This legislation was part of the New Labour government's reforms of the welfare system. These were based on four propositions derived from work carried out by the Commission on Social Justice that there is a need to:

- Transform the welfare state from a safety net in times of trouble to a springboard for economic opportunity.
- Invest in people and radically improve access to education and training.
- Promote real choices in the balance of employment, family, education, leisure and retirement.
- Reconstruct the nation's social wealth and reform its social institutions to provide a dependable social environment in which people can lead their lives.

One of the objectives was to encourage people into work because it was believed that this would lead to empowerment and also because it would reduce the costs of the benefits system. The approach was criticised by some who, for example, argued that it was wrong to encourage people with children as young as one to work outside the home. Furthermore, where people are in and out of work they are more likely to have problems with housing benefit and run up arrears.

Budget 2010

The Budget of June 2010 introduced some restrictions on housing benefits that are controversial and subject to considerable protest. Consequently, these proposals may change. The government's objectives are to reduce expenditure on benefits and to change the benefits system to make work more attractive by making living on benefits less so. Critics argue that welfare claimants are not necessarily reluctant to work and that this approach punishes people who are unable to access work through no fault of their own. Critics do not agree with the government's view that lone parents with young children should seek work outside the home.

The budget addressed some of the unfairness that the government believes has become inherent in the Housing Benefit system and in many cases a barrier to helping people into work. It is estimated that the reforms will save nearly £2billion in the financial year 2014/15, whilst making benefit fairer and better targeted. It also marks the first plank of the reform of the benefits system. A reform which the government considers will make the system simpler and fairer in the long term and help to reduce the fraud and error bill that today stands at £5billion across benefits and tax credits.

Local Housing Allowance (LHA) will now be restricted to a maximum of four bedrooms for new and existing claimants. Alongside this, weekly LHA rates will be capped at £250 for a one bedroom property, £290 for two, £340 for three and £400 for a four bedroom property. LHA rates will now also be based on the thirtieth percentile of rents of the local area. The government considers that this reform means hard working individuals and families will no longer have to subsidise people living in properties they themselves could not afford. From April 2013 LHA will be uprated by the Cost and Prices Index.

There will be staged increases in the rates of non-dependant deductions in the income-related benefits from April 2011. By April 2014, these increases will bring the rates to the level they would have been had they been fully uprated since 2001 to reflect growth in rents and council tax. To help make work pay from April 2013, people who have been on Jobseeker's Allowance for twelve months or more, will have a 10% reduction in their Housing Benefit.

The government intends to work with local authorities to ensure that the housing stock is more sensibly utilised and that entitlement to social housing reflects a family size. Working age Housing Benefit claimants who are living in a property that is too large for their household size will have their benefit capped. To help the most vulnerable people who could be affected by this change, the Additional Discretionary Housing Payments budget will be tripled to £60 million a year from 2013/14.

The government's calculation of the savings and costs as a result of their budget are summarised below:

	2011/12 £million	2012/13 £million	2013/14 £million	2014/15 £million
Savings:				
Remove £15 excess	280	490	520	550
Remove five bedroom rate	5	10	15	15
Cap LHA rates	50	55	55	50
Set LHA at 30 th percentile	65	355	400	410
Costs:				
Extra room for carer	15	15	15	15
Increased discretionary payments	10	40	40	40
Total	370	860	940	970

Where tenants find that their benefit will no longer cover all their rent they will have to move to cheaper accommodation, fund some of their rent from other benefits such as income support or job seeker's allowance, or fall into arrears. Landlords are therefore likely to have to manage increased arrears and to consider what steps to take where tenants fall into arrears. This could include eviction.

In the case of private landlords, one option would be to reduce the rent to the level that housing benefit would support. Indeed, there are those who argue that private landlords have abused the housing benefit system by pushing up rents and local housing allowances and that the government's changes may result in a reduction in private sector rents.

Key Reform Issues

There are a number of ways in which housing benefit could be improved and perspective and politics enter into these.

In 2010 the Chartered Institute of Public Finance & Accountancy identified a number of key reform issues for housing benefit as follows:

- The complexity of the arrangements – People who would like to claim benefits have to claim Job Seeker's Allowance at the Job Centre and Housing Benefit and Council Tax Benefit at the Council, and the claim forms and processes are generally regarded as complex for the claimant and the administering authorities.
- Whether a single housing benefit system could effectively cater for both working age and pensioner claimants – The circumstances of working age and pensioner claimants are different.

- Whether it is appropriate to support private sector housing through housing benefit, regardless of the quality of the accommodation – Housing Benefit levels are usually higher in the private sector than in the social sector while the standard of accommodation and security of tenure is often poorer. There is also evidence that some private landlords inflate rents for benefit claimants and have forced up levels of local housing allowances to their benefit and to the cost of the public. The government wishes to raise standards of housing in the private rented sector and it could be argued that levels of housing benefit should be dependent on those standards being achieved. Some would argue that there should be more effective regulation of the cost and quality of private sector housing but the coalition government does not take this view.
- How to contain the burgeoning cost of the scheme. Prior to the economic downturn the main factor in that growth had been the rising cost per case (rent levels) rather than increased claimant numbers. The cause of increased rents is a matter for debate – some believe the cause is market forces driven by the shortage of housing and increasing land and property values; while others believe that landlords have been able to exploit the benefits system by raising rents for eligible tenants to levels that the market would not justify. Others argue that government should take more effective steps to control private sector rents. In Sweden, for example, private landlords are obliged to set rents at levels that are consistent with those of municipal housing companies (the main providers of social housing in Sweden).
- Whether it is reasonable for housing benefit to meet the full cost of accommodation whether or not the claimant is actively seeking work. The coalition government believes that this should be the case and that claimants who cannot demonstrate that they are actively seeking work should be penalised through having their benefits reduced. It would be possible to go further and make it a condition of future social housing tenures that the tenant is active in seeking work and that if they do not they would risk eviction!
- The very poor take-up of housing benefit by low-income households in work. A number of studies have shown that there are a significant number of people who would be eligible to claim housing benefit or other benefits but do not do so. Sometimes, they are people who are too proud to claim benefits. At other times they are people who are unaware of their entitlement to benefits. It is possible that more could be done to bring such people within the benefits system.
- Setting less generous criteria in determining the number of separate bedrooms required by a family unit. A committee of the House of Commons recently met to discuss overcrowding and a number of MPs expressed the view that the current definition of overcrowding is too generous – some of them expressing the view that they had grown up in conditions that they found acceptable but that would be regarded in statute as overcrowded. The government has changed the housing benefit system to limit entitlement to benefit for those in larger homes.
- The whole issue of rental areas following the Heffernan case (that looked at the definition of a locality). Might these be based instead on local authority areas or perhaps even regions?
- Doing more to encourage the return to work, perhaps through a longer extended payments period.
- Involving social sector tenants in controlling their own financial circumstances. The previous government introduced direct payments in the private rented sector and, at various times, suggested that this should be extended to social tenants. Some consider that this would empower social tenants to manage their finances more effectively. Others consider that it would create difficulties for tenants in managing their money and in keeping up to date with their rents and would therefore create difficulties for social landlords in collecting rents.

Further References:

Department for Work & Pensions Website:

- Welfare Reform Act 2007 - <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2007/>

Inside Housing Website:

- Heffernan Case – www.insidehousing.co.uk/story.aspx?storycode=65025601

Housing Benefits Available

Housing Benefits that are available include:

- Rent Allowances
- Rent Rebates
- Non-HRA Rent Rebates
- Local Housing Allowance (LHA)

Rent Allowances and Rebates

Rent Allowances are available for housing association tenants while rent rebates are available for council tenants. Prior to April 2008 rent allowances were also available for private tenants but since then private tenants have been able to claim the local housing allowance. Rent allowances and rent rebates are governed by the Social Security Contributions and Benefits Act 1992, Social Security Administration Act 1992 and the Housing Benefit Regulations 2006.

Rent allowance and rent rebate claimants who are on income support, jobseeker's allowance (income based) and pension credit (guarantee or guarantee and savings credit) are eligible for full benefit. Partial benefit is paid to claimants whose income exceeds the threshold with the assumption made that 65% of 'excess income' is applied to pay the rent. There is also a capital threshold which means that people with savings of over £10,000 are not eligible for housing benefits.

In the case of Rent allowances, rent must not be unreasonably high and there must not be over accommodation. However, this requirement does not apply to rent rebates.

Typically, 87% to 92% of housing association and council tenants are in receipt of rent allowances or rent rebates.

Service charges are also eligible for rent allowances or rebates as long as they are related to the accommodation and must be paid under the tenancy.

Non-HRA Rent Rebates

Local authorities will sometimes provide temporary accommodation under homelessness legislation. In these cases, tenants will pay rent net of any rent rebate. These rent rebates are calculated in the same way as described above. Each year the DWP establishes a 'cap' for each authority that represents a limit above which they reduce the amount of subsidy that they will contribute towards the cost of the benefits.

Local Housing Allowance

Local Housing Allowance was introduced under the Welfare Reform Act of 2007 and came into operation in April 2008. Since then it has replaced rent allowances for private sector tenants for all new claims and in instances where there is a change of circumstances in a rent allowance claim.

LHA is based on 'Broad Market Rental Areas' (BMRAs). Within each BMRA there is a set of standard rents and benefit entitlement is based on these rather than on actual rents. LHA is therefore dependent on the claimant's accommodation needs and average rents in the area. However, claimants can only retain up to £15 a week of any difference between the LHA and the actual rent paid and this will be removed from April 2011. The introduction of the LHA represents a simplification of the system and enables the DWP to exercise better control over housing benefit costs.

Claimants who are on income support, jobseeker's allowance (income based) and pension credit (guarantee or guarantee and savings credit) are eligible for LHA. Partial benefit is paid to claimants whose income exceeds the threshold with the assumption made that 65% of 'excess income' is applied to pay the rent.

Discretionary Housing Payments

Councils have discretion to make discretionary housing payments (DHPs) to claimants who they consider are facing extreme hardship. The DWP limits the amount that councils can spend under this scheme and makes a financial contribution. In 2009/10 the total that councils were allowed to spend nationally was £50million compared with the total cost of housing benefits of £19billion.

Further references:

Legislation:

- Social Security Contributions and Benefits Act 1992 -
http://www.opsi.gov.uk/acts/acts1992/Ukpga_19920004_en_1
- Social Security Administration Act 1992 -
http://www.opsi.gov.uk/acts/acts1992/Ukpga_19920005_en_1
- Housing Benefit Regulations 2006 -
<http://www.legislation.gov.uk/uksi/2006/213/contents/made>

The Financing of Housing Benefit

The 2007 Comprehensive Spending Review set the Department for Work & Pensions budgets for Housing Benefit for England as shown below:

	2007/08 Forecast £million	2008/09 Planned £million	2009/10 Planned £million	2010/11 Planned £million
Rent Rebates	4,715	4,593	4,641	4,812
Rent Allowances	9,033	10,032	10,882	11,483
Total	13,748	14,625	15,523	16,295

Housing Benefit Subsidy

Councils claim housing benefit subsidy from the Department for Work and Pensions. The sums involved are significant and, over time, have increased considerably. Housing benefit costs are also difficult to predict and control both at local and national level.

Until April 2004 rent rebates were accounted for in the housing revenue account. Since then rent rebates are no longer accounted for in the Housing Revenue Account, but are accounted for in the General Fund and funded by subsidy provided by the Department for Work and Pensions. Transitional arrangements were put in place to prevent the transfer of rent rebates to the general fund affecting the general fund in 2004/2005. The purpose of doing this is to make the Housing Subsidy system more transparent, because government believed that, at that time, tenants and councillors found it difficult to appreciate the intention behind the subsidy system.

New rules on subsidy for housing benefit that came into force in April 2004 were announced in December 2003. The main change was to fund 100% of rent rebates and rent allowances from subsidy. However, the cost of penalties for mistakes such as overpayments is now met from the general fund rather than the housing revenue account. It is estimated that this resulted in savings of £80million nationally to housing revenue accounts at the expense of general fund accounts.

The main features of the system are:

- Since April 2004 there has been no rebate expenditure in the Housing Revenue Account other than rent rebate limitation and “modular improvement” costs
- By default, rebate expenditure falls to the accounted for in General Fund (including adjustments for prior years)
- Rebates attract subsidy on broadly the same basis as other Housing Benefit (subject to rent rebate limitation arrangements)
- Subsidy paid by the Department for Work & Pensions is adjusted if average actual rent exceeds the limit rent. The Housing Revenue Account makes the shortfall in the General Fund good.

The General Fund has always met the costs of Rent Allowances and all Council Tax Benefit and has received Housing Benefit Subsidy that meets most of the costs of administering the Benefits as well as the cost of the Benefits themselves. If the authority recovers an overpayment it can keep both the recovery and the subsidy, except in the case of an error by the Department for Work and Pensions.

No subsidy is paid in cases of local authority error, where a rebate is credited in advance of an entitlement, or where Council Tax Benefit has been overpaid due to the delayed award of council tax discounts, disability reductions, transitional relief or budget capping.

The government also meets the cost of administering Housing Benefit, 50% through a cash limited specific administration grant, and 50% through the Revenue Support Grant calculation.

Further References:

Department for Work & Pensions website:

- Housing Benefit Subsidy Frequently Asked Questions - <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/performance-and-good-practice/faqs/hbctb-subsidy-faqs/>

The Changing Profile of Social Housing Tenants

This section considers the changing profile of social housing tenants – the so-called ‘hollowing out’ of the sector and the implications of this for the welfare state and for households who rely on it for income (in whole or in part).

The increasing concentration over time of less advantaged households in social housing is very well known, and has been a key concern of recent studies of social housing (for example, Hills, 'The Future Roles of Social Housing in England, 2007).

One consequence of this is that, over successive generations, children growing up in social housing experienced several cumulative processes of disadvantage:

- As individuals, they were more likely to come from disadvantaged families
- Given the increasing disadvantage of social renting households generally, they were more likely to be surrounded by disadvantaged neighbours
- On the measures we have used, their homes were more likely to fall short in quality and desirability in absolute terms and relative to other tenures

These changes have resulted in a much bigger tenure divide among today's children than any other post-war generation – according to a 2009 report by the Tenant Services Authority – 'Growing up in Social Housing in Britain'.

Changing entitlements in relation to benefit income

Housing benefit regulations include a 'taper' that assumes that 65% of a person's income above the eligible amount should be used to meet housing costs. Consequently, if a person's earnings increase above the eligible amount they lose 65% of their earnings through lost benefit entitlement. This is one of the main factors causing the 'poverty trap' that deters people who are eligible for benefits from accepting paid work.

In December 2008 the previous government changed the benefit entitlement rules for single parents to reflect an assumption that they should return to work when their youngest child reaches the age of one. The previous assumption was that they would return to work when their youngest child was aged seven. The intention was to get 300,000 of the 776,000 single parent benefit claimants to return to work.

Changing system in relation to one-off grants

It is recognised that when a person is on a low income it is very difficult to budget for emergency expenses, funeral costs, the costs of a new baby or one-off payments for large items, such as, furnishing a home. There is money available for these situations, although it is limited. This is known as the Social Fund. The Social Fund includes funeral payments, maternity grants, crisis loans, budgeting loans, community care grants and cold weather payments. Winter fuel payments are also a type of Social Fund payment, but they are restricted to people aged 60 and over.

The focus of government policy is now on partnership with third sector organisations such as Credit Unions to deliver the loans to Social Fund customers as well as financial advice and other financial services.

Changing entitlement to help with paying rents and services

The Housing Benefit Amendment Regulations 2010 (see below) have restricted the entitlement of claimants to claim for help with rents.

Service Charges are eligible for Housing Benefit only if they have to be paid as a condition of occupying the home, if they are not listed in the regulations as ineligible, and if they are not excessive in relation to the service provided. Service Charges that are eligible for Housing Benefit include:

- Heating Systems.
- Fuel for communal areas.
- Furniture and household equipment.
- Communal window cleaning.
- Other external window cleaning which no one can do.

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- Communal cleaning.
- Most communal services relating to the provision of adequate accommodation.

Changing entitlement to help in paying mortgage interest if householder becomes unemployed.

The housing benefit system specifically excludes owner-occupiers from entitlement. Instead there is a scheme known as 'Support for Mortgage Interest' (SMI) that is available to owner-occupiers in circumstances such as unemployment who are eligible for:

- Income Support
- income-related Employment and Support Allowance
- income-based Jobseeker's Allowance
- Pension Credit

SMI only provides help towards mortgage interest payments for a mortgage or loan to buy or improve a home. SMI is normally paid directly to the lender.

The standard interest rate used to calculate SMI is currently 6.08%. From 1st October 2010 the standard interest rate will be set at a level equal to the Bank of England's published monthly average mortgage interest rate. The starting rate that will apply from 1st October 2010 will be 3.63%.

Further References:

Tenant Services Authority website:

- Growing up in Social Housing in Britain - http://www.tenantservicesauthority.org/upload/pdf/Growing_up_in_social_housing.pdf

London School of Economics website:

- Hills report – The Future Roles of Social Housing in England - <http://sticerd.lse.ac.uk/dps/case/cr/CASEREport34.pdf>

Citizens' Advice Bureaux Website:

- Information on Social Fund - http://www.adviceguide.org.uk/index/life/benefits/help_for_people_on_a_low_income_-_the_social_fund.htm

Direct Gov website:

- Information on Support for Mortgage Interest - http://www.direct.gov.uk/en/MoneyTaxAndBenefits/BenefitsTaxCreditsAndOtherSupport/On_a_low_income/DG_180321

The Impact of Right to Buy and Shared Ownership

This section considers the impact of 'right to buy' and shared ownership on social housing landlords – both from perspectives dominant before the credit crunch and more recently.

Right to Buy

Since 1980 council tenants have had the 'right to buy' their council house. The purchase price has been set on the basis of the market value of the individual property less a discount. The discount has been dependent on a number of factors, especially the length of time that the purchaser has been a tenant.

A considerable number of council houses and flats have been sold under 'right to buy'. This has benefited local authorities financially in that they have generated capital receipts and have avoided the need to spend money on the modernisation and improvement of dwellings that have been sold. However, 75% of capital receipts have been 'set aside' and housing subsidy has been reduced to reflect reduced levels of council housing stock and levels of capital receipts that have been 'set aside' so most of the financial advantage can be considered to have accrued to the government.

Since 2005/06 councils have reported significant reductions in the number of 'right to buy' sales and consequently a reduced level of capital receipts. This trend has been exacerbated by the recession. There are currently very few 'right to buy' sales.

Housing Association tenants have a 'right to acquire' that is similar to 'right to buy' but with some differences, especially a less generous discount scheme.

Shared Ownership

The idea of low cost home ownership schemes is to allow people to part buy and part rent homes developed by registered social landlords. Over time, people may increase the share of their ownership as their circumstances change. Do-It-Yourself Shared Ownership is similar to Conventional Shared Ownership but allows people to select a home in the private market and then part own and part rent it, with a registered social landlord taking on ownership of the rented share of the property.

Homebuy was introduced in April 1999 and allows people to buy a home in the private market with an interest free equity loan from a registered social landlord for 25% of the value of the property. The loan is repayable, at 25% of the current market value, when the home is sold. There are three 'Homebuy' products:

- Social Homebuy
- Open market Homebuy
- New build Homebuy

Homebuy is for social tenants. They buy a share of their home – at least 25% with a discount linked to 'right to acquire' discounts. Tenants also pay all management and maintenance costs. Rent increases are capped at 3% with a target average of 2.75%. Receipts will be used to fund new social lettings. Homebuy went live in April 2006. In the pre-budget report of December 2006 an intention was announced to double the number of households in shared equity schemes by 2010. It is likely that the minimum equity stake will be reduced from 25%.

From 1st April 2008, two new equity loans became available under the Government's shared equity Open Market Homebuy scheme. The new loans - My Choice Homebuy and Own home – are intended to improve affordability for purchasers and provide more choice in the mortgage which purchasers can take out.

From May 2008 the scheme became available to all first time buyers with a household income of less than £60,000. Until then the scheme had been restricted to specific priority groups including key workers.

The recession has reduced the level of shared ownership sales. Building societies have become reluctant to lend to people who wish to buy a shared ownership home on terms that they can afford.

There has been some criticism of the continuing emphasis on shared ownership, not least from the Joseph Rowntree foundation.

Further References:

Communities & Local Government Website:

- Home Ownership (includes references to right to buy and shared ownership schemes) - <http://www.communities.gov.uk/housing/homeownership/>

Recent and Future Developments

The new coalition government, elected in May 2010, has made reform of benefits a priority. Their objectives are to create incentives for people to return to work and to control and reduce the costs of benefits.

21st Century Welfare

In July 2010, Iain Duncan-Smith, Secretary of State for Work & Pensions launched a Green Paper entitled '21st Century Welfare'. This paper proposes a unified benefits system. Set out in this paper are a series of options that focus on ensuring work always pays and is clearly seen to pay. They include allowing people to keep more of what they earn as they move into work whilst withdrawing benefits at a single, more reasonable rate as people start to earn more money.

Iain Duncan Smith said:

"A system developed to help the most vulnerable and support people in times of need is trapping people in a cycle of dependency. We now have children growing up in households where neither parent works and where the only future is one stuck on benefits. This is a tragedy that we must bring to an end.

"We are proposing to change forever how the system works. Not tinkering around the edges but a fundamental change from the top to bottom. Making it easier to help people into work, fairer to those who pay for the welfare state and continuing to provide unconditional support to those who need it.

"This will affect everybody which is why I want everyone with a view on the way forward to contribute. I believe these changes will make work pay and end the poverty of aspiration that has trapped too many people for generations."

The options in the document could see a major reform of the number and type of Tax Credits and benefits available and the way in which they are withdrawn when people move and progress in the workplace. They would:

- Combine elements of the current income-related benefits and Tax Credit systems;
- Bring out-of-work and in-work support together in a far simpler system.
- Supplement monthly household earnings through credit payments reflecting circumstances (including children, housing and disability).

The system could improve incentives to get a job as people would see no reduction in their benefit until they earn over a certain level. Over a certain level of income a taper would be applied to reduce benefit. This taper would apply to earnings, rather than number of hours worked. It could remove the very high Marginal Deduction Rates, ensuring that work pays for everyone and encouraging people to progress in their employment by not limiting the hours people can work.

It is also proposed to reduce housing benefit for those who have been claiming Job Seeker's Allowance for over a year.

Housing Benefit Amendment Regulations 2010

These regulations give effect to the decisions announced in the June 2010 budget.

From April 2011:

- Local Housing Allowances will be restricted to the four bedroom rate
- A new upper limit will be introduced for each property size with upper limits set at £250/week for a one bedroom property; £290/week for a two bedroom property; £340/week for a three bedroom property and £400/week for a four bedroom property or larger.
- The £15 weekly excess provision currently payable within the LHA will be removed.
- The size criteria will be adjusted to provide for an additional bedroom for a non-resident carer where a disabled customer has an established need for overnight care.

From October 2011:

- The LHA will be set at the 30th percentile of rents in each BRMA rather than the median.

Concern has been expressed that these proposals could cause an increase in homelessness, especially for vulnerable people that would result in an increase in expenditure for local authorities in re-housing and support services. As an estimated 1.5million housing benefit claimants have dependent children there could also be increased costs for education, health and child protection.

Homelessness prevention work also makes significant use of the private rented sector and if these reforms make it more difficult for local authorities to place homeless people in the private sector thus obliging them to make more use of temporary accommodation that would be more expensive. These changes may also lead to a greater concentration of housing benefit claimants in low rent areas that could lead to a spiral of decline in those communities and the need for expenditure on regeneration.

The government has agreed to carry out an impact assessment of these measures.

Local Housing Allowances for Social Tenants

The previous government had considered moving to a system of Local Housing Allowances for Social tenants. This would include direct payments and rent allowances (shopping incentives) under which payments would be made to the tenant rather than the landlord and the link between benefit entitlement and actual rent paid would be broken and tenants would receive Housing Benefit on the basis of their assessed needs and means. If their actual rent were lower than the assessment the tenant would be allowed to retain the difference and spend it on what they chose. If their actual rent were higher than the assessment the tenant would have to find the difference from their other resources – in practice their income support. This would give tenants an incentive to ‘shop’ for cost-effective accommodation and to move to cheaper accommodation. The government considers that this would create a more competitive market for rented accommodation. This approach has been introduced with private sector tenants (see section on housing benefits available).

Local authorities and housing associations have expressed concerns that a system of direct payments could result in increased rent arrears and a larger number of evictions for non-payment of rent. In 2006 the previous government published a green paper on welfare reform that ‘shelved’ the idea of direct payments, saying:

“Many complex factors will need to be taken into account before a decision is made on exactly how we can take forward reform in this sector. Proposals need to be developed with caution and over a longer timescale.”

However, there are now indications that the new government may be reconsidering this proposal.

Further references:

Department for Work & Pensions Website:

- 21st Century Welfare - <http://www.dwp.gov.uk/consultations/2010/21st-century-welfare/>

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December 2010

About 'AWICS'

'AWICS' provides a full range of management consultancy and training services, principally to those who are involved in public services including social housing.

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