

supporting families since 1869



Housing Benefit Cuts: Family Action Policy recommendations

1) About Family Action

Family Action has been a leading provider of services to disadvantaged and socially isolated families since 1869. We work with over 45,000 vulnerable families and children a year by providing practical, emotional and financial support through over 100 community-based services across England. Additionally in 2009-2010 we distributed 4,218 grants totalling over £1,104,883 to families and individuals in financial hardship throughout the UK. Family Action won the 2009 Charity Awards Foundation award for effectiveness and jointly with CAB, Gingerbread and our sponsors Barclaycard the 2010 Third Sector Award for best corporate partnership for Horizons, an integrated welfare advice, training and educational grants package for lone parents. Find Family Action on the Web at www.family-action.org.uk.

Family Action works with vulnerable families in the home, providing early intervention services that strengthen families, assisting them to take more responsibility for their lives, parent their children well and build a stable home. The changes overviewed in this paper would make that job harder by undermining families financial and housing security, and destabilising relationships.

We are very happy to further discuss any aspect of this briefing. To contact us please e-mail sam.royston@family-action.org.uk or telephone 02072 417604.

Introduction:

A number of policy adjustments could help to reduce the impacts of the Housing Benefit changes on families making the changes simpler for claimants to understand, reduce the income fluctuations that they cause, and reduce the likelihood that families have to move home repeatedly. Such adjustments include:

1) The new Housing Benefit rules should only apply to new claimants, and when people move home

When the Local Housing Allowance was introduced in April 2008, the rules only applied to private sector tenants who were:

- New claimants.
- Claimants who move home.

However, for the new Local Housing Allowance rules changes:

“The changes will apply to new customers from the date they come into effect and to existing customers from the anniversary of their claim unless they have a change of circumstances which requires the local authority to re-determine the maximum rent.”¹

We believe that the changes to LHA announced in the budget should be amended so that they only affect new claimants and those moving home. This change would avoid forcing families to move to avoid the new rules.

2) The Government need to ensure clear guidance is produced which will help to ensure that benefit claimants are clear about what all the changes will mean for them, and what their options are.

The changes as outlined by the Government, produce an intensely complicated system of changes, which benefit claimants could find very hard to follow. The Government needs to ensure that clear information is produced throughout the period in which changes are introduced, in order to ensure that families are clear about:

- What the changes are.
- When they are taking place.
- What they will mean to them.
- What they can do to minimise the impacts of the changes.

Repeated and unexpected changes are particularly likely to mean that households are unable to sufficiently prepare, and face severe income fluctuations, and/or have to move home repeatedly.

3) Discretionary Housing Payments should be substantially increased to help those households who are affected by the new rules

Discretionary Housing Payments are a cash limited fund to help families which are affected by a shortfall in their rent. We welcome the announcement that the Government plans to substantially increase its contribution to the amount of Discretionary Housing payments to be made available to Local Authorities. The allocation of assistance with DHP (currently £20 million per year,) is to be increased by £10 million in 2011/12 and £40 million from 2012/13 onwards.

¹ DWP (2010) “Housing Benefit Amendment Regulations 2010”

A briefing from the Mayor of London estimates that “in 2011/12 the demand for DHP in London could be in the region of £38 million (nearly four times the additional amount being made available in that year). The potential level of demand from families alone (ie just those in 2+ bed homes) for DHP in the first year alone could be in the region of £29 million - nearly treble that available.”

London Councils argue that “to avoid significant numbers of tenant evictions and manage the migration an increase of £20 million is necessary for the 2011/12 DHP pot, and that £18 million of that should be directed to London.”²

4) The introduction of the LHA caps and the removal of the 5th bedroom rate should be moved to October 2011.

This would both give households more time to prepare and would bring it into line with the introduction of the reduced reference rents at the 30th percentile of local rents.

The caps on LHA payments, and the removal of the 5th bedroom rate are due to be introduced in April 2011. We are concerned about these changes being brought into place so soon, and believe that households should be given longer to prepare for the changes.

In addition, in some cases, claimants may be affected by both the Housing Benefit caps, or the loss of the 5th bedroom rate, and then (when their claim comes up for reassessment the following year,) by the change to measuring LHA rates at the 30th percentile of local rents.

For example; someone who applied for Housing Benefit in May 2010, and is receiving help with a 4 bedroom property in Outer South West London could currently receive £414 in Housing Benefit. After the introduction of the caps in April 2011, (at a reassessment in May 2011) their eligible rent may be reduced to £400. From October 2011, LHA rates are reduced to the 30th percentile of local rents, at their next HB reassessment (typically May 2012), this could reduce their HB entitlement to £368.

5) The LHA caps, and the LHA rates at the 30th percentile of local rents, should be uprated in line with rental prices.

Currently, the Government has determined that reference rents will be uprated with the CPI from 2013-14.

Shelter note that “**CPI has historically failed to increase at the same rate as average rents** . Between 1997/98 and 2007/08, average rents increased by 70%, but over the same period CPI increased by only 20%”

LHA rates (and the LHA caps) should continue to be uprated with local rental prices to ensure that, even when they have made efforts to find affordable housing, households do not find it increasingly hard to pay their rent.

² <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/memo/hb/hb64.htm>

6) The welfare caps announced at the Conservative party conference should be varied to reflect local rents for benefit recipients.

At the 2010 Conservative party conference, George Osborne announced a cap of around £26000 per year (£500 per week) on welfare payments to many out of work households. This cap is going to have a particularly severe impact on households with high rents.

These caps should be varied to reflect the location of benefit recipients. Without this change, many families who have already faced housing problems as a result of the Housing Benefit caps could again face substantially reduced help with housing costs as a result of the introduction of welfare caps in 2013.