

Briefing on Caps to Housing Benefits

In June 2010 the chancellor of the exchequer announced a cap on housing benefits for old as well as any new claimants. The reasons for this current direction can be easily worked out as being for the purpose of reforming the welfare benefit system and reducing the housing benefit pot and also to create a strong incentive for getting back to work.

The caps to housing benefits will take effect from April 2011, from this time, Local Housing Allowance Rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more. In addition rent rate calculations are now based upon the 30th percentile of market rents. Thus when the 30th percentile would result in a cost higher than the cap, the cap would apply, and where the 30th percentile results in a cost lower than the cap then the 30th percentile will apply. There are no LHA rates for 5 bedroom property in other words no housing benefits if your requirement is a 5 bedroom property.

Though these caps will be rolled out nationally, the impact will potentially hit harder in parts of London including Camden. Some worse case scenarios suggest that families in Camden could potentially be short by up to £600 per week, or £31,200 per year.

Camden Council has carried out an initial research into who will be affected and by how much. This initial research has shown that over 2,000 claimants currently living in privately rented accommodation will be affected by the capping. It has also found that currently, somewhere in the neighbourhood of 1,200 claimants are set to lose £30 or more per week and over 500 claimants will lose £50 or more per week. Some will need to renegotiate their rents with their landlords while others will have to find alternative accommodation that they will be able to pay for within the amounts now set down by government.

In summary for Camden:

- Current local housing allowance (LHA) rates will be based on the 30 percentile of market rents from April 2011
- The caps on Housing Benefit will apply from April 2011 for new claimants
- From April 2012 there will be 10% reduction in payment for those on Job Seekers Allowance for over a year, which is likely to have an impact on capacity to meet rent amounts
- April 2012, single room rent restriction extended to over 35s
- Older claimants have been given more time from the anniversary of their claim before the caps kick in (estimated 9 months after anniversary)

Further benefit cuts are proposed for 2011 and in 2013 and a national cap will be applied to the total amount of benefits payable to out of work households. 2013 LHA will also be upgraded in line with the Consumer Price Index and not rents.

Impacts of Caps to LHA

Possible Impacts are an increase in people becoming homeless, and also hundreds of lower income families not being able to afford to live in parts of Camden or even Camden as a whole leading to the break up of communities and polarisation of communities around wealth

Officers from the council are hoping to contact current claimants well before the anniversary of their claim (the caps are supposed to take effect round about nine months after the anniversary of the claim), to explain the impact of the housing benefits capping and what it could mean for them. Some families will require assistance in finding alternative accommodation and practical help is planned for as early as possible.

Camden Homelessness Forum is concerned about the real threat of increased homelessness and increased rough sleeping within Camden as tenants lose their tenancies due to the benefit shortfall and resulting inability to meet the rent amounts. In addition a number of hostels have been decommissioned in Camden which raises the concern of Camden's ability to meet the needs for temporary accommodation that could possibly arise in the near future both due to caps, not forgetting the general economic climate.

There is also the key issue of the 'move on' through the hostels pathway into private rented accommodation which looks to be restricted (in particular the move on for those under 35 into supported accommodation).

Many pathway residents already have fears around sustaining tenancies in the private rented sector which will likely be magnified and lead to even further resistance to private rented sector as a move on option.

Wider effects of Spending Cuts on the Homelessness Sector

With the Individual Borough settlements now received by councils across the country, initial signs show that the cuts are not as deep as expected in Camden, though there is no getting round the fact that there will be loss/reduction of services. The homelessness sector in particular will be impacted by the removal of ring fenced funds of 'Supporting People' (which funds the majority of support work for homeless people and also provides funding for supported housing, and funds work around preventing cycles of homelessness). The pooling of department budgets increases the probability of monies erstwhile fenced for provision around homelessness migrating out of the sector.

Direct Payments

The national government hopes to support its plans to exert a downward pressure on rents in the private rented sector by reducing Local Housing Allowance (LHA) rates, by also temporarily widening the discretion of Housing Benefit departments to make direct payments to the landlord in some circumstances where it will support tenants in retaining or securing

tenancies. This provision is intended for use only in very specific circumstances where landlords are reducing rents to a level that is affordable for customers but government says this will be a temporary measure only.

Other notes

It is looking likely that half and over of accommodation placements by Camden will be outside the borough (in October 2009 there were 79% placements 'in' borough but 55% in October 2010 and this is projected to drop further). The reality is that clients may have to move out of Camden. Temporary accommodation might also be provided out of borough.

Camden is continuing its negotiations with landlords to see if they will take the cut. It is also revisiting it's Private Rented Sector schemes in light of these benefit changes.

Camden is also urging that voluntary and community sector workers be realistic with customers and clients and the voluntary and community sector is being urged to tell clients of the incoming changes so they can make informed choices. Any move-on conversations should as a rule now include cost and location. Clients should however be advised against attempting to pay for the shortfall using other benefits and loans because this might get them into debt. Clients should also be encouraged to negotiate with their landlords who may be willing to drop rents.

There is some funding proposed from central government for the additional work that boroughs will need to do around the incoming changes.

Camden is interested in any ideas in how it can work with landlords around rent caps.

Other wider effects could include those around cost of travel into Camden for those who work but cannot live in Camden, job losses even overburdened services in other areas where Camden residents may take up accommodation.

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