



Title: Capping Housing Benefit for Council Tenants

Report of: Director of Customers and Communities

Purpose of Report

1. To provide an update on the announcement made in the Chancellor's Autumn Statement and Spending Review around proposals to cap housing benefit for new social housing tenants at Local Housing Allowance rates, as used in the private rented sector.

Background

2. Some commentators have suggested that the Autumn Statement was generally more positive than expected for housing. However, the proposal to bring housing benefit for social housing tenants in line with that for private tenants means that there will be significant impact.
3. The Local Housing Allowance (LHA) is already used in the private rented sector, and sets the maximum amount of housing benefit that can be paid to a private tenant. There is a different amount for each size of property, and the LHA rates vary from authority to authority.
4. There are additional rules for single people under 35 renting from a private landlord. In most cases these tenants are only permitted to claim a "shared room rate", which is the rate for renting a single room in a shared house. This rate is the maximum housing benefit payable even if the single person rents an entire property, such as a one bedroom flat. Appendix 1 to this report provides details of exceptions to the shared room rate.
5. The current weekly LHA rates in Gateshead are:

- Shared room rate £60.00 *
- 1 bedroom £90.90 **
- 2 bedrooms £103.56
- 3 bedrooms £115.07
- 4 bedrooms £149.59

* Shared room rate applies to most under 35's for any property type, and to tenants of any age renting a room in a shared property

** 1 bedroom rate also applies to self-contained bedsit properties (e.g. bedsit flats).

6. The maximum sum for housing benefit relates to rent and any (eligible) service charges. This means that a landlord cannot set the rent at the maximum level and also expect additional benefit to cover service charges.

The Autumn Statement Proposal

7. The Chancellor has proposed that the LHA rules will apply for social housing tenants (including council tenants) for tenancies created after 1 April 2016. However, the LHA rates will not take effect until 1 April 2018. Any new tenancies in Gateshead after 1 April 2016 will therefore potentially be affected by a cap on housing benefit within two years.
8. Previously, the guidance for policies such as the Removal of the Spare Room Subsidy (Bedroom Tax) explicitly stated that pensioners would not be affected. In this policy announcement there has been no statement to say that pensioners will not be affected.

Impact of the LHA cap – before taking into account the shared room rate

9. Whilst the proposal (as it stands) will not affect current tenants, in order to assess the potential impact we have looked at how current tenants would have been affected if the cap were already in force.
10. The basic rent charges set by Gateshead Council are lower than the LHA rate (before taking into account the shared room rate). However, many tenants also pay one or more service charges, some of which are eligible to be covered by housing benefit. Some of these service charges are compulsory (such as for cleaning or caretaker services), and some are linked to tenant options such as furniture packs. With the addition of service charges some Gateshead Council tenants would receive housing benefit in excess of the LHA cap.
11. Although not covered in this section, once the shared room rate is taken into account, then many basic rent charges would be higher than the LHA cap.
12. Appendix 2 shows a breakdown of the number of current tenants who would have been affected if the rules had already been in place (465), and the types of property these tenants live in. This gives a good indication of which tenants and property types are most likely to be affected from 1 April 2018.
13. Of the 465 tenants who would have been affected, 281 live in one bedroom properties (including 16 in self-contained bedsits), 148 live in two bedroom properties and 36 in three bedroom properties. 262 tenants live in flats, 101 in houses, 64 in bungalows, 35 in sheltered or extra care flats and 3 in maisonettes.
14. 429 of the 465 tenants have a furniture pack. Of the remaining 36 tenants without a furniture pack:
 - nine live in one bedroom flats (including 5 at the new Independent Living Scheme at Wrekenton High Street)
 - 27 live in extra care two bed flats at Angel Court (where communal heating charges are currently eligible for housing benefit).

15. By way of example, the difference between the two bedroom LHA and the weekly benefit payable to tenants at Angel Court is £6.21. The difference between the LHA for a one bed flat and the weekly benefit payable to tenants at Wrekenton High Street is £3.90.
16. It is worth repeating that the figures and analysis in this section do not take into account the impact of the shared room rate on under 35s. 170 of the 465 tenants covered in this section are aged under 35, and so the cap for these may be much lower (at £60) than for others.
17. The next section considers those affected by the shared room rate. It is estimated that a further 394 tenants may be affected (our estimate is that 564 current tenants in total would have been affected by shared room rate if it were already in force)

Impact of applying the shared room rate to under 35's

18. Analysis carried out by the council's benefit team in November 2015 suggests that we had 564 tenants who were thought to be single, under 35, with no dependents, and in receipt of housing benefit. If this policy had already been applied to current tenants then all 564 would have their housing benefit award capped at £60. This would mean an average reduction in benefit of approximately £24.95 a week totalling £14,072 per week (over £700k annually).
19. Further analysis of the impact of the shared room rate will be carried out. Figures are estimates at this stage because data is not yet fully cross referenced between housing and benefits systems on household composition.

Furniture Packs

20. The sections above have shown that whilst our basic rent charges are below the LHA rates, service charges such as furniture packs would push tenants over the LHA cap. We currently have 1,200 tenancies with a furniture pack. This charge is currently eligible for housing benefit and Universal Credit.
21. Furniture packs have become increasingly popular with new tenants, and have in some cases helped to let properties that would otherwise remain vacant. From April to December 2015 we have provided 433 new furniture packs, averaging 48 per month. The main items that are taken on furniture packs are usually white goods (fridge freezer, oven and washing machine), beds and sofas.
22. Appendix 3 provides details of how charges are set for the various furniture pack options. The charges for furniture pack options and number of tenants with each option are:
 - Mini Pack £12.58 304 tenants
 - Option 1 £20.88 521 tenants
 - Option 2 £28.50 279 tenants
 - Option 3 £36.11 67 tenants
 - Option 4 £43.09 23 tenants
23. It is likely that any new tenant taking a 1 bed property (from 1 April 2016) who also requests an option 1 to 4 furniture pack would push themselves over the

LHA cap rate. Some tenants, depending on their property type and rent costs may still be able to take a 'mini' option and remain below the LHA cap.

Other factors to consider

24. In addition to the points above this policy could potentially have a significant impact on the 'Removal of the Spare Room Subsidy' (Bedroom Tax) and its administration.
25. It is not yet clear how this proposal will operate in practice. For example, is the 'relevant' LHA rate to be used for the actual size of the claimants property, with the 14% or 25% deduction then applied in respect of any spare room(s), or will the relevant LHA rate be that for the size of the claimant's household, in the same way as currently applies in the private rented sector?
26. There may be additional considerations around the capping of housing benefit to homeless hostels and supported accommodation. Further work will be carried out with the council to consider the impact of this.

Link to values

27. This report relates to the company values of being
 - Customer Focused
 - Inclusive, valuing diversity
 - Passionate about what we do

Impact on tenants

28. This policy only applies from 1 April 2018 to new tenancies signed after 1 April 2016, so it is unknown exactly how many tenants will be affected.

Risk Management Implications

29. This report relates to strategic risks around financial resources and the impact of welfare benefit reform.

Financial Implications

30. There are no direct financial implications arising from this report.

Equality and Diversity Implications

31. Customer profile data has been used to assess potential impact; it would appear that our younger tenants (or prospective tenants) are most likely to be adversely affected, since there are additional rules for singles aged under 35.

Value for Money Implications

32. There are no direct value for money implications in this report, but consideration will be given to developing ways of mitigating the impact of the proposed policy.

Health Implications

33. Rent arrears will be a negative factor in health, and so ensuring that tenants are able to afford their tenancies helps to sustain tenancies and have a positive impact.

Environmental Implications

34. There are no environmental implications directly arising from this report.

Consultation carried out

35. There was no specific consultation for this report

Recommendation

36. The views of the board are sought on the proposal to cap housing benefit for new council tenants.

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Exemptions to the shared room rate

Exemptions when you live with others

The shared accommodation rate doesn't apply if you:

- have a child who lives with you
- live with a partner as a couple (unless you are renting shared accommodation)
- live with an adult dependent
- are a foster carer

Exemptions for care leavers

The shared accommodation rate does not apply until you are 22 if you are a care leaver.

(Note that Gateshead's corporate parenting responsibilities last up until age 25)

Homeless or leaving prison

The shared accommodation rate should not apply if you are 25 or over and can show that you:

- lived in hostels for homeless people for three months or more before moving to the private rented sector and while there accepted rehabilitation or support services to help you settle back into the community
- have left prison and your housing has been arranged under the Multi Agency Public Protection Arrangements (MAPPA)

Housing benefit if you have a disability

If you are disabled, the shared accommodation rate won't apply if you:

- need overnight care
- qualify for the severe disability premium
- receive the middle or high rate of disability living allowance, or the daily living component of a personal independent payment (PIP), or the armed forces independence payment

How the proposed LHA cap would affect current council tenants (if already in force)

No of bedrooms	LHA rate	Number affected	Ave reduction in HB	Total loss of HB per week
1	£90.90	281*	£8.37	£2,352.14
2	£103.56	148	£5.54	£819.49
3	£115.07	36	£8.63	£310.80
4	£149.59	0	£0.00	£0.00
Total	-	465	£7.49	£3,482.43

* includes 16 x bedsit flats

Tenants affected by property type**Property Type:**

Bungalow	64
Flat	262
House	101
Maisonette	3
Sheltered Flat	35
Total	465

1 Beds:

Bungalow	47
Flat	222 *
House	4
Sheltered Flat	8
Total	281

* includes 16 x bedsit flats

2 Beds:

Bungalow	17
Flat	40
House	61
Maisonette	3
Sheltered Flat	27
Total	148

3 Beds:

House	36
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Furniture packs

Furniture packs are leased from Newcastle Furniture Service, with the charge added to weekly rent. Charges are currently eligible for housing benefit.

Tenants may add, reduce, or cancel their pack at any time.

Charges are determined by the total of points per item requested:

- Mini Option < 60 Pts. = £12.58 per week
- Option 1: 110 Pts. = £20.88 per week
- Option 2: 160 Pts. = £28.50 per week
- Option 3 – 200 Pts. = £36.11 per week
- Option 4 – 240 Pts. = £43.09 per week

Item Description	Points	Item Description	Points
Electric cooker	16	2 seater sofa (Leatherette)	22
Fridge freezer	18	Easy chair (Leatherette)	14
Fridge	10	2 seater sofa (Fabric)	20
Washing machine	15	Easy chair (Fabric)	14
Vacuum cleaner	7	Single divan bed	14
Microwave	5	Single bedding set	9
Condenser dryer	15	Double divan bed	18
Iron / Ironing board	6	Double bedding set	12
Kitchen pack*	10	Bunk beds inc. mattress	28
3 Piece towel set	2	Travel cot inc. bedding	12
Coffee table	4	Chest of drawers	9
Rug (182cm x 265cm)	9	Wardrobe	12
Garden pack	18	Dining table	6
		Dining chair (each)	2
		Single Headboard	4
		Double Headboard	5