

**The Impact of Housing Benefit Changes
Oxford City Council**

Under the government's deficit reduction plans, a number of restrictions to housing benefit (HB) eligibility have been announced since the June 2010 budget. The first of these, mostly affecting private tenants claiming HB under the Local Housing Allowance (LHA) regime, came into effect on 1 April 2011. LHA is subject to costs in the local rental market and the size needs of a claimant's household. It is also means tested. The April changes restrict LHA eligibility on all three criteria:

- LHA payments only cover the cost of the cheapest 30% of local rents, rather than the average (median) rent;
- maximum LHA payments have been capped, but these caps only affect some inner London areas at the moment;
- claimants can no longer get a top up payment of up to £15 per week if their actual rent is lower than the LHA rate;
- the five bedroom LHA rate has been abolished, and properties with five or more bedrooms are paid at the four bedroom LHA rate;
- non-dependant deductions, made when claimants have other adults (e.g. grown up children) living in their household, have increased, and will go up again in 2012 and 2013. Tenants in social housing will also be affected by increases in non-dependant deductions, which assume a contribution to household costs and are based on non-dependants' income; and
- LHA eligibility has increased for disabled claimants needing an overnight carer, who are now entitled to claim for a bedroom for the carer.

All these changes apply to new claims from 1 April 2011. Rises in non-dependant deductions and the additional bedroom entitlement also apply to existing claims from 1 April. Otherwise, existing claimants are not affected immediately, unless they move or there is a change in their household, but continue to get LHA at the pre-April rate until the annual review of their claim. Claimants receiving top up payments will then see LHA reduced to their actual rent. In all other cases there will be a further nine months transitional protection – the full effect of LHA cuts will not be felt until all claimants are subject to the new regime in January 2013.

LHA rates are set monthly and can change, but the difference between March and April 2011 rates shows the effect of the changes on new claims, and gives an indication of the likely effect of the new LHA regime once it applies to existing claims:

Oxford Broad Rental Market Area Figures are rounded to the nearest £	LHA March 2011		LHA April 2011		Reduction in LHA	
	week	month	week	month	week	month
Shared room/accommodation rate	£85	£370	£79	£340	£7	£30
1 bedroom flat or house	£160	£695	£150	£650	£10	£45
2 bedrooms	£196	£850	£179	£775	£17	£75
3 bedrooms	£230	£996	£208	£900	£22	£96
4 bedrooms	£323	£1400	£288	£1250	£35	£150
5 bedrooms (rate abolished)	£404	£1750	£288	£1250	£115	£500

From 1 January 2012, LHA payable to single people aged 25-34 who do not live with partners or children will also be restricted to the cost of a room in a shared house or bedsit. This will affect tenants in one bedroom flats or houses – there are 135 of these in Oxford, and this measure will halve their LHA from £160 per week (£695 per month) to £79 per week (£340 per month).

Issues around HB can be a primary structural cause of homelessness. Restricting LHA to the cheapest 30% of market rents will affect more than 2,200 households in Oxford city, and this measure alone is expected to reduce HB payments by around £2 million a year. The council will

**The Impact of Housing Benefit Changes
Oxford City Council**

not be able to mitigate these cuts from a discretionary housing payment (DHP) budget of £105,000 in 2011/12 – 42 households currently get LHA at the five bedroom rate, and the annual DHP budget would not even make up the shortfall to the four bedroom rate for six months.

National research by the Cambridge Centre for Housing and Planning Research also suggests that these measures will make it harder to find and maintain private tenancies. LHA cuts will decrease tenants' residual income, and lead to increased income poverty, debt and severe housing difficulty. On the supply side, landlords are likely to exit the LHA market, particularly where there is a high demand for housing from households who do not rely on LHA to pay the rent, as is the case in Oxford.

Housing options for tenants facing LHA cuts are stark if they become threatened with homelessness as a result. The government expects tenants affected by LHA cuts to negotiate cheaper rents with their existing landlords or to find cheaper accommodation. Given high demand and high rents, these opportunities are expected to be limited within Oxford itself. A YouGov survey in August 2010 found that a quarter (26%) of private tenants would approach their council for homelessness assistance if they could not keep up with housing costs and lost their home. This, together with supply side difficulties for people dependant on LHA, will increase demand for homelessness assistance.

LHA is set within broad rental market areas (BRMAs) rather than council boundaries, and the Oxford BRMA covers most of the west, south and east of the county as well as the city – including Abingdon, Carterton, Didcot, Kidlington, Wallingford, Wantage and Witney. Banbury, Bicester and Chipping Norton lie within the Cherwell Valley BRMA, which includes most of the north and northwest areas of the county. Parts of Oxfordshire also fall within Aylesbury, Cheltenham, Reading and Swindon BRMAs.

Oxford BRMA is the most expensive for all property sizes, and generally has higher shortfalls between the median and cheapest 30% of rents – particularly for the most in-demand two and three bedroom properties. As higher rents are mostly concentrated in the city itself, it may be possible to find cheaper accommodation within the overall LHA rate in outlying areas of the BRMA. Alternatively, people who need LHA to pay their rent may have to look for housing in cheaper BRMAs. Larger households may also have to find smaller accommodation.

The Localism Bill proposes to make it easier for housing authorities to discharge homelessness duties anywhere in the private rented sector, and finding private accommodation in cheaper BRMAs may also be attractive to councils as an alternative to increasing temporary accommodation provision – particularly if high rents make it difficult to use the private sector to prevent homelessness in their own areas.

Given the disruption to existing employment, education, family or support networks that a move might cause, LHA claimants may elect to make up rent shortfalls out of other benefits or wages. There may be a need for financial management advice for people considering this, or for debt advice as LHA cuts reduce claimants' residual income. Hardship and housing difficulty will also be exacerbated by other welfare reform measures, including reduced eligibility for tax credits and the proposed introduction of Universal Credit in 2013, which proposes to cap total benefit entitlement (including housing costs) for most claimants at the level of median post-tax earnings.

Renting privately and remaining on benefits will become ever more precarious as a result of LHA changes and other welfare reform measures. Reducing benefit dependency and increasing

**The Impact of Housing Benefit Changes
Oxford City Council**

income through employment and upskilling may represent private tenants' best tools for reducing the risk of homelessness in the medium or long term.

For councils and social landlords, the need for a more holistic approach to tackle worklessness, poor employability and barriers to labour market participation will become imperative – whether in responding to the prospect of more homelessness from the private rented sector, or in considering the effect of HB and welfare reform changes on their own tenants' ability to pay their rent.