

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	HOUSING, NEIGHBOURHOODS AND LEISURE COMMITTEE		
DATE:	16 NOVEMBER 2016	AGENDA ITEM:	13
TITLE:	MEETING HOUSING NEED FOR HOUSEHOLDS AFFECTED BY THE BENEFIT CAP		
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 In 2013 the Government introduced a cap to the amount of benefits paid to non-working households.
- 1.2 The Government subsequently announced a further cut in the overall benefits for non-working households in the 2015 Summer Budget, introduced by the Welfare Reform and Work Act 2016. This is due to come into effect in Reading in November 2016.
- 1.3 This paper considers the impact of the further reduction of the cap on households in Reading and the options for responding to these changes and helping households affected.

2. RECOMMENDED ACTION

- 2.1 That members note the impact of the further reduction of the benefit cap on the affordability of accommodation for Reading residents.
- 2.2 That members note the proposed approach and options for supporting households impacted by the benefit cap.

3. POLICY CONTEXT

- 3.1 The benefit cap was announced by the coalition government in the 2010 Spending Review; it was introduced nationally in 2013 and rolled out in Reading in September of the same year. The cap placed a limit on the total benefits that families and working age people can receive to £26,000.

- 3.2 The cap applies to a range of benefits including child benefit, child tax credit, job seekers allowance and housing benefit. Where any members of the household are in receipt of working tax credits (working over 16 hours a week) or disability or sickness related benefit, the cap does not apply.
- 3.3 Due to the fact that housing benefit is included in the capped amount and is the only element to which the cap is applied, the cap has mainly had an impact in high rent areas, such as London and parts of the South East – so far Reading Borough Council has seen approximately 180 families since Sept 2013 that have had their benefits reduced, mainly affecting larger sized families living in the private sector, requiring 3 and 4 bedroom properties.
- 3.4 The announcement of the further reduction to the overall cap to household benefits in the Government's 2015 Summer Budget adds significant concern about the affordability of accommodation to households on low incomes in Reading. The Welfare Reform and Work Act 2016 capped benefits for families to £20,000 and £13,000 for single people, taking effect in Reading in autumn 2016, meaning a cap to weekly income for families of £384.62 regardless of family size.

Impact on households

- 3.5 This added reduction to benefits will significantly increase the number of non-working families who are affected by the cap. In Reading current estimates place the number at 515 households, approximately 140 of which are likely be RBC tenants; 100 tenants of Registered Providers; and 250 are living in the private sector.
- 3.6 One of the consequences of the further reduction to benefits will be that, for the first time, larger families living in social rented tenancies will now feel the impact of the cap, whilst a greater number of smaller families in the private rented sector will also become affected.
- 3.7 Table 1 demonstrates the effect on families living in 2 bed accommodation in receipt of Local Housing Allowance (LHA) in the private sector. The table shows the change in the overall level of benefit that families living in a two bedroom property will receive, based on different family compositions. This table shows that for an adult living in the private sector with 2 children there will be a shortfall of over £100 pounds on monthly income (£28.71 a week).

Family Composition	Current benefit* (£)	Cap Amount (£)	Shortfall (£)
1 Adult and 1 child	344.79*	384.62	None
1 Adult and 2 children	411.38*	384.62	28.71
2 adults and 1 child	386.09*	384.62	3.29
2 adults and 2 children	452.68	384.62	70.46

*Based on 2 bedroom LHA in Reading, receipt of JSA, Child Benefit and child tax credit relevant to household composition.

- 3.8 Table 3 depicts the same information for households living in 3 bedroom social housing, showing that the cap will now affect households living in 3 bedroom Council accommodation.

Table 2 : Impact of the cap on households living in 3 bedroom property at target rent (Council Housing). All figures are weekly.			
Family Composition	Current benefit*(£)	Cap Amount (£)	Shortfall (£)
1 Adult and 2 children	348.05	384.62	None
1 Adult and 3 children	414.63	384.62	29.52
2 adults and 2 children	389.35	384.62	4.11
2 adults and 3 children	455.93	384.62	71.27

*Based on HB paid at target rent for a 3 bedroom property Reading, receipt of JSA, Child Benefit and Child Tax Credit relevant to household composition.

- 3.9 Families will find themselves having to make increasingly difficult decisions about their household expenditure and how to prioritise their finances. For example, a couple with 2 children living in a two bedroom property with rent at Local Housing Allowance (LHA) level will face a monthly reduction of £281.84 in their overall benefits.
- 3.10 The level of this reduction is likely to mean that households will be unable to pay both rent and basic living costs, potentially having to make decisions about meeting their children's most basic needs or falling into arrears and debt, leading to homelessness. Some households in the borough are already becoming reliant on food banks in making the decision to ensure their rent is paid.
- 3.11 When the affordability of accommodation is considered in the context that only 30% of the private sector market is available to those households in receipt of LHA (which is calculated at the 30th percentile of the market), it is evident that the situation becomes very difficult for households to resolve by finding alternative cheaper accommodation.
- 3.12 Rents in Reading are amongst some of the most expensive outside of London. Over time the unaffordability of accommodation will be further exacerbated by an increase in market rents due to the prosperity of the town, whilst LHA will remain static after a four year freeze in the uprating of LHA imposed by the government in 2015.
- 3.13 In the context of the rising cost of accommodation in Reading, the benefit limit will make the town unaffordable to many households reliant on housing benefit. The ability of low income families to find housing is further compounded as the pool of affordable and social accommodation in Reading becomes markedly smaller.
- 3.14 This decline in the numbers of properties affordable to those households in receipt of Local Housing Allowance is due to a combination of market forces and government changes. Contributory factors include the increased rents for many Register Provider properties due to the introduction of the 'affordable rent' product (allowing up to 80% of market rent to be charged); a reducing number of Council owned properties available due to Right to Buy (RTB) and low turnover of stock; and limited supply through new developments. The introduction of RTB for Housing Association tenants and the associated levy on 'high value' void Council homes, due to be introduced in 1st April 2017, will exacerbate this as the authority is likely to have to sell some properties to be able to pay the levy.

- 3.15 Many households attempting to resolve their housing situation may do this by moving into smaller accommodation subsequently becoming overcrowded. This creates unsuitable living conditions for families, especially those with a large number of children who are most financially affected by the cap.
- 3.16 Affected households are left with limited options and realistically can only afford accommodation costs by working more than 16 hours a week to avoid the cap; moving to a smaller home; or relocating to a cheaper area.

Impact on the Local Authority

- 3.17 Whilst having a major impact on individual families and wellbeing outcomes for children, this will additionally have a significant impact on local authority resources, including the costs associated with accommodating households in emergency/temporary accommodation if evictions increase as a result of arrears. Discretionary Housing Payment (DHP) can top up a shortfall in rent but is a limited resource and it can only be seen as an interim measure whilst a more sustainable solution is found for a household.
- 3.18 Local Authorities, who have a duty to provide temporary accommodation to applicants who are homeless, eligible for assistance, in priority need and not intentionally homeless, are faced with the challenge of finding affordable and suitable accommodation for households affected in an increasingly competitive market. This challenge will be double edged, as the Council will be required to meet the needs of an increase in the numbers of applicants presenting to the local authority for assistance in a climate where there are decreasing options for affordable accommodation to prevent their housing crisis from happening.
- 3.19 The Local Authority is already under considerable pressure and the use of B&B has increased over recent years. It is universally recognised that the use of temporary or emergency accommodation is unsettling and disruptive for homeless households and is unsuitable for long periods of time, however at the current time the local authority accommodates in excess of 300 households in temporary accommodation and B&B combined due to a lack of alternative affordable options.
- 3.20 There is also concern about the impact of the cap on existing Reading Borough Council tenants, of which approximately 140 are likely to be affected to varying degrees. This is likely to lead to an increase in arrears and reduced income to the Housing Revenue Account - impacting on the ability of the authority to invest in new build homes.

4. THE PROPOSAL

4.1 Current Position:

- 4.1.1 The Council's Housing teams have undertaken a targeted approach to supporting households affected by the cap living in both social and private tenancies, in order to prevent homelessness. Households have been supported to: understand whether any exemptions applied to their circumstances (for example by claiming disability benefits); enter into more than 16 hours employment per week; or move to alternative cheaper accommodation.
- 4.1.2 Whilst in the main, households were prevented from becoming homeless, unfortunately there are a small number of households affected by the original cap who were unable to resolve their situation and in some circumstances have had to be provided with emergency accommodation by the Local Authority.

4.1.3 With current pressures on Council resources and concerted efforts already being made to contain increasing demand for emergency accommodation, the local authority needs to consider alternative options to help households move to long term, affordable and sustainable accommodation.

4.2 Options

4.2.1 Helping to meet the needs of homeless households and those who may be threatened with homelessness is becoming ever more challenging. If the Council does not do more to help households where all of these options have been exhausted then an increasing number of households are going to become homeless or end up accommodated in overcrowded conditions.

4.2.2 The local authority needs to be flexible in its approach to tackling homelessness and use all tools available to do so, offering a range of responses to meet the needs of individual families in financial crisis.

4.2.3 As described above in 2013 the Council took an active approach to managing the impact of the cap and contacted all households affected to ensure that the impact to support them to mitigate its impact and prevent homelessness wherever possible. The Council will be taking a similar approach to helping these households, whilst learning from and developing practice from the experience of the previous cap.

4.2.4 A case management approach will be taken to support affected households. Two Benefit Cap Coordinators and a Senior Welfare Reform Officer have been employed in the Housing department through funding from the DWP to ensure that the impact of the cap is assessed and that relevant appropriate support is accessed for these households. Households will have twice been contacted by the DWP by the end of September 2016 to advise that they are likely to be affected, which will be followed up by letter from RBC Housing Benefit department to confirm this once the cap has been applied. RBC Housing will be contacting all households from October to offer support and to advise of other appropriate support available.

4.2.5 The Housing department is working across all relevant Council teams to ensure a collaborative approach is taken by officers in Children's and Adult Services and that there is a joint understanding of the options available to households. Benefit Cap Coordinators will be co-located between Housing and the Job Centre Reading (JCP) to ensure that the most effective approach is taken.

Households will be contacted on an individual basis by the cap coordinators to work through the available options as follows:

Supporting households with exemptions from the cap and income maximisation

4.2.6 The Housing department works with capped households to ensure that they are able to maximise their current income and that all options have been explored for gaining exemptions to the cap, which might include eligibility for certain benefits not previously claimed.

4.2.7 The Debt Advice team has supported people to enable them to manage their finances and to meet their priority debts, whilst ensuring that the limited Discretionary Housing Payment (DHP) budget is utilised in the most effective way to prevent homelessness, temporarily meeting the shortfall in Housing Benefit to allow households more time to resolve their situation. It is worth noting that this is additional pressure on the already burdened DHP budget, so payments will be conditional and short term, this is not a long term resolution for these households.

Supporting households into employment

- 4.2.8 Working with the DWP and JCP, the Council will work in a targeted way to help households move closer to the job market and back into employment. The co-location of the new coordinators will ensure that this support is being targeted to the households who most require the assistance.

Case Study - officer experience

Jane is a single mother of 5 whose benefit was capped in 2013. Jane was a joint tenant with her mother. Both were in debt and a joint appointment was booked with the Council's Debt Advice Team. There were some arrears which Jane was responsible for as well as a shortfall due to the benefit cap. Discretionary Housing Payment (DHP) was put in place as a short term measure, debt advice was provided and information around childcare options provided to enable Jane to return to work.

I also discussed work options with Jane and a referral to Progress to Work was made and Jane subsequently found 16 hours work per week as a cleaner. There were no childcare implications as her mother lives with her and was happy to assist. This meant that Jane was no longer subject to the benefit cap and could pay her rent without extra help.'

- 4.2.9 A specialist officer employed by the DWP working within the Troubled Families Programme is supporting those families who are identified within that scheme. This resource will be utilised to ensure that those households most in need are receiving the support that is required.
- 4.2.10 Whilst this has been successful in many cases, based on the experiences of the 2013 cap there are households that have been affected who struggle to work more than 16 hours per week for a range of reasons, including childcare or caring responsibilities. The co-ordinators will be working with JCP to support households to find childcare, including helping households to utilise new childcare initiatives.

Supporting households to move to cheaper accommodation

- 4.2.11 Where there are no other options for a large family, Housing Advice will consider helping a household to move to smaller accommodation. However, this option is only used to deal with a crisis situation and is not appropriate in the long term - it cannot be a sustained approach for the Council as a solution for affected families, as it will create overcrowding which is not suitable and will become exacerbated as children get older.
- 4.2.12 Where households independently express an interest in moving out of the Reading area to somewhere more affordable, they are provided with advice to help consider this option.

Supporting mobility - securing homes out of area

- 4.2.13 The service is developing a comprehensive package of support to help people to move out of area on a voluntary basis. Many households may not be aware of opportunities to secure affordable housing in other areas. Families at risk of homelessness approaching the Council for assistance or those who may be in unsustainable unaffordable accommodation will be advised of the support available.
- 4.2.14 There are a number of Housing Associations and Councils in other areas of England that are often able to provide accommodation to households at very short notice.

Housing Advice has made a small number of successful moves for households who have asked for help to move to another area. This is likely to be Social Housing but where this is not possible it could be private sector.

Case Study - officer experience

'I have worked with a couple of cases where a move to a cheaper area has been successful for clients wishing to move. The process could not have been simpler, I made the initial phone call to the city Council and explained a bit about my role with the client and explained a little of their circumstances. Then they spoke to the client. This part took about twenty minutes and at the end of the phone call the client was invited to the area to view one of the properties with the possibility of signing up there and then if they were happy with the property offered. The client and I googled the property and it was a flat very near to the park and seemed to be a reasonably attractive block with green surrounding areas. We also checked out crime, employment and activities in the area and this was also positive. For one particular case the process was completed in about two weeks from the initial contact.'

4.2.15 Building on these successful moves a more comprehensive and consistent offer and information are being developed. The package of assistance will include:

- Help with financial and practical assistance to move to a new area - help with relocation costs
- Financial assistance to pay for deposits or rent in advance
- Financial assistance with costs of attending viewings for properties
- Support with sourcing accommodation and arranging viewings
- Information packages about other areas - employment, LHA rates, GP surgeries, schooling and children's activities.

4.2.16 Packages of support will be tailored to household needs to ensure that suitable, cheaper accommodation is sourced.

5. CONTRIBUTION TO STRATEGIC AIMS

This proposal will contribute to the service priorities set out in the Council's Corporate Plan 2015-18:

- Safeguarding and protecting those that are most vulnerable, and
- Providing homes for those in most need.

6. EQUALITY IMPACT ASSESSMENT

None required at this stage. An Equality Impact Assessment was carried out in November 2015 on introduction of the Private Sector Offer (PSO), this will be reviewed to ensure that it remains relevant.

7. LEGAL IMPLICATIONS

7.1 The Housing Act 1996 sets out a Local Authority's responsibilities in respect of homeless households who approach the Local Authority for assistance. The legislation specifies that all Local Authorities have a duty to provide temporary accommodation to

applicants who are homeless, eligible for assistance, in priority need and not intentionally homeless.

- 7.2 The Suitability of Accommodation Order 2012 lays out the requirements for Local Authorities in making an offer of suitable accommodation.

8. FINANCIAL IMPLICATIONS

- 8.1 Three posts are being created to support a case management approach to supporting those impacted by the Benefit Cap: a Senior Welfare Reform Officer and 2 x Benefit Cap Co-ordinators. These are being funded by a successful Benefit Cap bid to DWP for £45,000 and a further £45,000 of 'New Burdens' funding from DWP to deal with welfare reform changes. This team will ensure a multi-agency approach in assisting those who are capped, working closely with the Housing Benefit Service, DWP and Job Centre Plus as well as with Childrens Services and more specifically with Troubled Families. All the posts are for a 12 month period and will sit in Tenant Services and will be co-located at DWP/Job Centre Plus for some of the week. All roles will be filled by November.
- 8.2 Currently a household in B&B accommodation costs the local authority approximately £13,000 per annum. Any approach adopted to manage homelessness is likely to impact on the General Fund costs that the Council incurs in meeting its statutory duty and should be developed to ensure the best use of Council resources, in particular the management of costs associated with the use of bed and breakfast.
- 8.3 It is proposed that packages of support to enable out of area moves should be developed to not exceed £2,000 per household as a general principle.

9. BACKGROUND PAPERS

- 9.1 'Homelessness Strategy 2015-2020 and 'Reducing the Use of Bed And Breakfast Accommodation' Report to HNL Committee of November 18th 2015.