



“The Social and Economic Impact of the Changes to the Housing Benefit System in Preston”

A Work Plan Study by the Communities Scrutiny Panel

September 2011

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1. Chair's Commentary

This has been a very topical and relevant study, the purpose of which was to influence Government policy. The Welfare Reform Bill represents the biggest overhaul of the Welfare Benefit System since the 1940s, so the Panel had to be very focussed on changes to housing benefit system and the social and economic factors which impacted on individuals in Preston.

The study has been challenging in many respects, because of the ongoing Government changes to its proposals. For example, a government consultation on Housing Benefit Reform - Supported Housing was published part way through the study. Members of the Panel were able to feed in to the Council's response to this consultation during the course of the study.

The Panel's final recommendations reflect the challenges presented by that changing position.

Yours truly,

Councillor Bhikhu Patel

**Chair
Communities Scrutiny Panel**

2. Membership of the Panel

Councillor Bhikhu Patel (Chair)
Councillor Dave Wilson (Vice-Chair)
Councillor Ismail Bax
Councillor Kate Calder
Councillor Ms Nerys Eaves
Councillor Drew Gale
Councillor Daniel Charles Gallagher
Councillor Trevor Michael Hart
Councillor Nicholas Pomfret
Councillor Harry Seddon
Councillor Keith Sedgewick
Councillor Stephen Thompson

3. Introduction

- 3.1 This topic came to the Panel via a Notice of Motion by Councillor Matthew Brown approved at Council on 16.12.10 on the proposed changes to the housing benefit system. Council agreed that the matter be referred to the Communities Scrutiny Panel, which began the study on 16 March 2011.
- 3.2 The Panel's deliberations were conducted over the course of four meetings, held April 2011 – September 2011. This involved detailed information gathering and probing interviews held with the following key attendees:-
- Preston City Council Officers –
Adrian Robinson, Assistant Director (Revenues and Benefits)
Helen Johnston, Benefits Manager
Mary McBride, Strategic Housing
Kevin Mordue/Liz Mossop, Head of Advice Services
- Private Rented Landlords –
Alistair Niven, North West Landlords Association
Peter Houghton, Private Residential Landlord
Kelvin Pinder, Longridge Lettings
- Registered Social Landlords – Community Gateway Association and Eavesbrook Housing Association
Social/Voluntary Sector Supported Housing Providers – Fox Street Shelter (run by Methodist Action) and the Merryweather Home
Representatives of Welcome Credit Union, Wigan

4. Deliberations

- 4.1 The key issues/concerns which came to light during discussions were –
- Concerns about the impact on homelessness resulting from reduced family income, increased rent arrears and the impact on supported accommodation
 - Concerns about impact of reduction in Local Housing Allowance on the privately rented housing sector, particularly in deprived wards such as St Matthews, St Georges, Deepdale, Moor Park and Tulketh
 - Concerns about the impact of housing benefit changes on the Social Housing Sector i.e. Registered Social Landlords and the impact on their tenants
 - Concerns about vulnerability to loan sharks, in the light of reduced incomes and the lack of a Credit Union in Preston.

- 4.2 A brief summary is given below of the information produced at each meeting. Please refer to the web links for full detailed minutes:-

13 April 2011

A detailed presentation was provided by PCC officers on the proposals for Housing Benefit Reform as part of the Welfare Reform Bill. Relevant statistical data was produced outlining the impact on Preston.

One of the major changes was to the Local Housing Allowance (of which there were 2,384 claimants in Preston). The changes which would have the greatest impact were:-

From April 2011

- The removal of the £15 per week excess if benefit exceeded rent;
- LHA to be based on the lower 30% of rental properties within each room size category; and
- Increased deductions for non dependents residing in the property.

From April 2012

- The LHA shared room rate is extended from under 25's to under 35's

The proposed changes to Housing Benefit (social housing sector):

From April 2013

- The Government proposed to levy a charge for under occupied homes of Registered Social Landlords (resulting in a significant reduction in housing benefit)
- Dwelling size criteria i.e. one bedroom for each (adult) person or couple would also have a significant impact as there were 7,820 Registered Social Landlord customers in Preston.

Concerns were expressed by Advice Services about the impact on homelessness. Strategic Housing outlined plans to research and work more closely with the Privately Rented Housing Sector to address challenges.

8 June 2011 – Interviews with Private Landlords

- Concerns by private landlords about the impact of LHA changes (increased rent arrears) – North West Landlords Association already liaising with several Councils
- Concerns regarding LHA being paid directly to tenants (potential rent arrears)
- Concern regarding lack of a credit union in Preston to address reduced family income arising from the proposals

20 July 2011 – Interviews with Supported Housing Providers

- Concerns expressed regarding the proposal to restrict single people under 35 to the shared accommodation rate. This already affected under 25's which meant it was difficult to find accommodation for young, vulnerable adults because they usually wanted their own flat and in some cases sharing was not appropriate e.g. due to drugs/alcohol issues (which affected many residents).
- Increased deductions of housing benefit for non dependents – this could lead to young people of working age being asked to leave the family home, resulting in increased homelessness and thus increased referrals to supported housing.
- The Preston Bond Scheme was currently set at right level and that it needed to be protected.
- Lack of a female supported housing facility in Preston

7 September 2011

Welcome Credit Union, Wigan and the Cabinet Member for Community Engagement and Inclusion, Councillor Matthew Brown

- “Loan sharks” were an ever present and increasing problem, particularly in the current economic climate.
- The Panel supported, in principle, the establishment of credit union facilities for residents and workers in Preston

Interviews with Registered Social Landlords

- The Community Gateway Association had assessed approximately 4,000 tenants and this had revealed 1379 instances of under occupancy, which would have an impact on Housing Benefits received.
- Eavesbrook Housing Association expressed concerns regarding the cost of moving residents (in terms of creating voids) and the problems caused by non-dependant charges. It was anticipated that more Notice to Quit notices would be served (although not necessarily more evictions), which in themselves involved more costs.
- Concerns about proposals for Housing Benefit to be paid directly to tenants (potential rent arrears)

5. Key Findings - Summary

1. One of the key changes was to Local Housing Allowance, a benefit that applies to people renting privately. The anticipated impact of the LHA changes was:-
 - a higher incidence of adult children being asked to leave the family home,
 - tenants being less willing to care for elderly parents in their own home,

- increased demand for independent housing and a higher risk and incidence of increasing rent arrears.
- 2. The greatest number of people in Preston to be affected by the LHA changes were in wards close to the city centre such as St Matthews, St Georges, Deepdale, Moor Park and Tulketh.
- 3. Under the proposals, from 1 January 2012 if you are single, in private rented housing and aged between 25 and 34, you will only be entitled to local housing allowance to cover the cost of shared housing i.e. the “Shared Accommodation Rate”. Many people aged 25 – 34 living in self-contained living accommodation will have a shortfall between the amount of benefit paid and the rent.
- 4. The reforms to Housing Benefit (which affects social housing tenants) included the levy of charge for under occupied homes owned by Registered Social Landlords (equating to a % reduction in housing benefit). It was anticipated that the impact of these changes would be:-
 - higher demand from existing tenants for smaller properties (transfers)
 - higher risk and incidence of increasing rent arrears;
 - Increased costs to registered social landlords of transferring residents to smaller properties e.g. remaining larger properties being void.
- 5. Housing Benefit would be paid directly to the tenant. Both private sector landlords and registered social landlords are concerned about rent arrears arising from this policy.
- 6. As result of the reduction in rental income to landlords, reduction in family income, pressure on tenants to make up shortfalls (by landlords) and the exclusion of under 36’s for assistance towards one bedroom rents, it was anticipated that homelessness levels would increase. In particular the exclusion of under 36’s for assistance towards one bedroom rents would have an impact on supported accommodation. This presented a problem for vulnerable adults wanting to leave supported accommodation because they usually wanted their own flat and in some cases sharing was not appropriate e.g. due to drugs/alcohol issues.
- 7. In addition, with regard to homelessness there may be implications arising from the Localism Bill - which changes how local authorities exercise their duties to homeless people, particularly that the duty can be discharged with an offer of accommodation in the private rented sector (provided that the tenancy is for a minimum fixed term of 12 months) without the tenant’s consent.

6. Recommendations

1. That the Cabinet note and acknowledge the concerns expressed by the Panel regarding the social and economic impact in Preston of the housing benefit changes proposed by the Welfare Reform Bill, and that it lobby the Government by writing to local MPs and Government Ministers and by encouraging members of the public to contact their local elected representatives on these issues, in particular:-

- Concerns about the impact on homelessness resulting from reduced family income, increased rent arrears and the impact on supported accommodation
 - Concerns about impact of reduction in Local Housing Allowance on the privately rented housing sector, particularly in deprived wards such as St Matthews, St Georges, Deepdale, Moor Park and Tulketh
 - Concerns about the impact of housing benefit changes on the Social Housing Sector i.e. Registered Social Landlords and their tenants, especially the minimum two year tenancy
2. That, further to Cabinet minute CA37- 31.8.11, Cabinet proceed as speedily as possible in respect of establishing an appropriate Credit Union model in Preston
 3. That the Cabinet express its support for the Methodist Action Social Lettings Scheme as a means of assisting clients and securing funding for the charity in the long term
 4. That the Strategic Housing Section's recent developments towards working with the private rented sector to tackle housing supply/ availability issues be fully supported
 5. That the Preston Bond Scheme provided by Preston City Council be supported and retained
 6. That Cabinet investigate the feasibility of providing a specialist point of contact in the Housing Benefit Section for Private Landlords
 7. That Cabinet note the concern regarding a lack of female supported housing in Preston and express support for any future moves to address this situation

9. Management Team Commentary

Consultation papers have since been issued on a range of welfare reform proposals and on each occasion the executive member has been consulted regarding the proposed response.

SCOPING DOCUMENT
“THE SOCIAL AND ECONOMIC IMPACT OF CHANGES TO THE
HOUSING BENEFIT SYSTEM IN PRESTON”
(WELFARE REFORM BILL)

1.	<u>Scrutiny Chair:</u> Councillor Patel	<u>Contact Details</u> Cllr.b.patel@preston.gov.uk
2.	<u>Scrutiny Support Officer:</u> Clare Gornall	Ext 6475
3.	<u>Departmental Link Officer:</u> Stephen Parkinson	Ext 6464

1. **Which of our Corporate Priorities does this topic address?**

In the Council’s Corporate Plan 2009 -2012 the Council sets out its vision which includes:

Brighter Futures Programme.

2. **What are the overall aims and objectives in doing this work?**

Better understand the impacts and implications on individuals and on Preston.

Potential for the Council (if it agrees) to lobby against proposed changes that impact people and/or the city.

3. **Possible outputs/outcomes to this review are:-**

Enable the Council and other organisations to be more prepared to deal with the affect of changes to the housing benefit system; and to lobby against such changes if there is considered to be an adverse impact on residents of Preston.

4. **What specific value can Scrutiny add to this work area?**

Examine implications of changes and ability to lobby Government, M.P.’s etc.

5. **Duration of the Review?**

3 – 6 months

6. **What category does the review fall into**

Policy Review Policy Development
External Partnership Performance Management
Holding Executive to account

7. **What information do we need to undertake the Scrutiny Review**

Establish the facts based on current Local Housing Allowance and housing benefit arrangements.

Identify numbers of people that could be potentially affected and how across both the private rented and social housing sector .

Consider evidence from experts and organisations to help identify potential affects of the proposed changes.

8. **Who can provide us with relevant evidence?** **What areas do we want them to cover when they give evidence**

Registered Social Landlords
e.g. Community Gateway
Association, Contour,
Eavesbrook, Places4people

Number of people potentially
affected and implications for them as
landlords

Shelter

View from community/voluntary
sector on possible impact of benefit
changes

Welfare Benefits/Debt
Advice

How individuals could be affected by
the changes

Revenues and Benefits
Service

Managing changes and associated
impacts to clients
Provide information re geographical
picture in Preston – comparative
data
by ward, e.g. benefit claimants,
average rents

Strategic Housing
Mary McBride
Kevin Mordue (later Liz
Mossop)

Overview of the impact on the
housing sector and potential impact
of increased homelessness

9. **What processes can we use to feed into the review (site visits/observations, face to face questioning, telephone surveys, written questionnaires etc?)**

Calling witnesses and hearing evidence from individuals and organisations.

10. **Diversity – How will we address the diversity standards in order to uphold the Council's Single Equality Scheme?**

Consider as part of the evidence gathering, whether any particular groups of people would be more adversely affected by the proposed benefit changes.

APPENDIX B

[Notice of Motion by Councillor Matthew Brown, 16.12.10](#)

Reference Documents/Reports/Presentations

[Presentations on the Welfare Reform Bill 16.4.11](#)

[Shelter – The Impact of Welfare Reform Bill measures on affordability for low income private renting families](#)

[Crisis Briefing: Second Reading of the Localism Bill 17.1.11](#)

[Shelter – Localism Bill February 2011](#)

[DWP – Universal Credit: Welfare That Works – November 2010](#)

[Northern Housing Consortium – Welfare Reform Bill](#)

[Government Public Consultation Document: Housing Benefit Reform – Supported Housing - July 2011](#)

Response by Cabinet 23.11.11

CA58 **Communities Scrutiny Panel Work Plan Study - The Social and Economic Impact of the Changes to the Housing Benefit System in Preston**

The Chair of the Communities Scrutiny Panel attended the meeting and presented the Panel's findings and recommendations of its work plan study on The Social and Economic Impact of the Changes to the Housing Benefit System in Preston. He thanked the officers involved in the study for their excellent support and advice.

The Chair responded that he was fully supportive of the Panel's findings and confirmed that in relation to recommendation 2 of the Panel's report relating to the establishment of an appropriate Credit Union, the Cabinet had already begun their investigations into this, as approved at their meeting held on 31 August 2011. Furthermore, the Chair suggested that as the issue and the findings were of such importance, the report should be submitted to Council for the attention and consideration of all Members.

Resolved – (i) That the Panel and officers be thanked for their hard work in relation to the study;
(ii) that the findings and recommendations be approved; and
(iii) that the report be submitted to the next meeting of Council for information.