

**John Cunningham,  
(Benefit Manager, East Lothian Council)**

## **Housing Benefit Changes and 21<sup>st</sup> Century Welfare Reform**

How Will East Lothian Residents Be  
Affected?



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## **A Background to Benefits Administration in East Lothian**

- ◆ Housing Benefit/Council Tax Benefit (rent rebates & allowances plus CTB relief). Usually claimed jointly & administered by East Lothian Council on behalf of Secretary of State for Social Security
- ◆ HB/CTB Admin' controlled by Department for Work & Pensions, (DWP) & 'mostly' funded through DWP subsidy
- ◆ In line with other Welfare Benefits, HB/CTB is a reserved issue for UK Government



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## **UK Government Budget Deficit Reduction & Welfare Reform**

By 2014/15 Westminster aims to cut £11 billion annually from Welfare expenditure by:

- ◆ Significantly reducing Housing Benefit, (As per 22 June 2010 Emergency Budget).
- ◆ Migrating people from Incapacity Benefit to Employment Support Allowance
- ◆ Reducing Disability Living Allowance claims
- ◆ Eventually replacing all working age benefits with a 'Universal Credit' (2013 to 2018)



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### **East Lothian (How Things Stand)**

In East Lothian approximately:

- ◆ **8,550** Households receive Housing Benefit, of which **887** Private Sector claimants receive Local Housing Allowance (LHA)
- ◆ **5,300** People currently receive Disability Living Allowance
- ◆ **3,490** People receive Incapacity Benefit/Severe Disablement Allowance



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### **Short Term Changes & Their Effect (Incapacity & Disability)**

- ◆ The imminent migration of East Lothian residents from Incapacity Benefit to ESA coupled with the reduction in those entitled to Severe Disablement Allowance could see an annual loss to the community of **£2m - £3.5m**
- ◆ Similarly a 20% reduction to the 5,300 Disability Living Allowance recipients could result in a further annual loss of over **£4m**  
*(source; 'People Councils the Economy' report September 2010)*



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### **Short Term Changes & Their Effect (Local Housing Allowance 'LHA')**

From April 2011:

- ◆ The '**30<sup>th</sup> percentile change**' will see LHA paid to many Private Sector claimants at a lower rate
- ◆ This change in the way the LHA rate is set will affect **75%** of East Lothian LHA claimants, (**642** households, **45,000** across Scotland) incurring a loss to the East Lothian economy of approx' **£381,000** per annum
- ◆ Likely to reduce the number of properties in the Privately Rented Sector available for LHA claimants to rent from 5 in 10 to 3 in 10



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### Short Term Changes & Their Effect (Housing Benefit) Cont'd

April 2011 will also see:

- ◆ LHA paid to claimants renting a 5 bedroom house restricted to a 4 bedroom rate, (4 bedroom rate in turn reduced by the aforementioned LHA rate cut)
- ◆ The removal of LHA 'excess' (up to £15pw beyond claimant's contractual rent).
- ◆ Claimants receiving any amount of excess LHA will lose it, (57% of LHA Claimants). Currently many use these amounts to clear arrears etc,
- ◆ LHA Rates capped at £400pw, (no effect in ELC)




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### Losses Due to LHA Rates set at 30<sup>th</sup> Percentile of Rental Market

	Shared Accom' Rate	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
March 2011 LHA Rates	£75.00	£115.38	£150.00	£206.54	£294.81	£386.54
30 <sup>th</sup> Percentile Rate	£65.77	£109.62	£137.31	£178.85	£256.16	N/A
Weekly Loss of LHA	£9.23	£5.76	£12.69	£27.63	£38.65	£130.38




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### The Overall Impact of Housing Benefit changes (Private Tenants)

- ◆ Many people will have less money to pay rent & less options for alternative accommodation
- ◆ Landlords obliged to either reduce rents or end tenancies, (potential for increase in homelessness)
- ◆ Any Landlords unable to reduce rents or to re-let may themselves default on their mortgage
- ◆ Private Sector provision may decrease placing Social Sector under even greater pressure
- ◆ Increase in Discretionary Housing Fund, (DHP) may help some but won't match losses




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## Short Term Changes & Their Effect (Housing Benefit) Cont'd

From April 2011 cont'd:

- ◆ Staged increases for 'Non-Dependent Deduction rates, (deduction from HB due in respect of other adult members of household)
- ◆ Rates previously frozen for 10 years now due to jump by **27%**. Likely to effect **548** households, (predominantly Council/RSL Tenants)
- ◆ Increased Non-Dep' deductions will reduce HB significantly for those households who qualify & make qualification less likely for others

  
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## Non Dependent Deductions

Deductions from HB	Current	From April 2011	Difference
Aged 25 & over in receipt of IS & JSA(IB), In receipt of main phase ESA (R), Aged 18 or over, not in remunerative work	£7.40	£9.40	<b>£2.00</b>
Aged 18 or over, and in remunerative work			
Gross income less than £122 per week	£7.40	£9.40	<b>£2.00</b>
Gross income £122 to £179.99 per week	£17.00	£21.25	<b>£4.25</b>
Gross income £180 to £233.99 per week	£23.35	£29.60	<b>£6.25</b>
Gross income £234 to £309.99 per week	£38.20	£48.45	<b>£10.25</b>
Gross income £310 to £386.99 per week	£43.50	£55.20	<b>£11.70</b>
Gross income £387 per week and above	£47.75	£60.60	<b>£12.85</b>

  
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## The Overall Impact of Housing Benefit changes, (Council/RSL Tenants)

- ◆ HB claimants with non dependants in their households will either lose some of their Benefit or fail to qualify at all
- ◆ Non dependants leaving home will find it even harder to claim HB in their own right, (since further restrictions due in 2012 for under 35s claiming HB)
- ◆ These changes have the potential to cause an increase in rent arrears, (more-so when further mid-term changes come in)

  
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### **Mid Term Changes, (2012-13)**

- ◆ Further changes for Working Tax Credit & ESA
- ◆ The much publicised withdrawal of Child Benefit from families of high rate taxpayers
- ◆ HB claimants under 35 will be required to share, (currently under 25) **Major concern for Scottish Government's 2012 Homelessness commitment**
- ◆ Formation of Single Benefit Fraud Investigation Service. DWP, HMRC and Local Authorities combine Investigation resources



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### **Mid Term Changes, (2013-14)**

- ◆ UK Government intend to replace Council Tax Benefit, (CTB) with locally administered scheme
- ◆ Details of devolved scheme yet to be announced however it may require change to the Scotland Act
- ◆ New scheme is expected to reflect local priorities
- ◆ Stated intent to reduce current CTB expenditure by 10% will mean less money available for scheme
- ◆ Introduction of size criteria restriction for HB restricting HB for under occupation
- ◆ LHA rate set in line with CPI



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### **Long Term Changes Introduction of Universal Credit**

- ◆ October 2013 1<sup>st</sup> new claims accepted for '**Universal Credit**' which is expected go on to replace all 'Working Age' Welfare Benefits
- ◆ Universal Credit will be administered centrally by the DWP using HMRC 'real time' PAYE data
- ◆ Initially Local Authorities will be expected to continue to administer existing HB claims whilst Universal Credit claims are phased in
- ◆ Local Authority HB Admin ends 2018?? (TBC)



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## Long Term Changes Introduction of Universal Credit

- ◆ Whilst conversion of all working age welfare claims, (including HB) to Universal Credit (UC) expected to be completed by approximately 2018 the interim arrangements appear complex
- ◆ Under the current plan it is unlikely that DWP would support direct payment in respect of UC rent element to Landlords. Therefore, all RSLs & Councils may have to collect 100% rent from 'all' tenants, **(i.e. no more rent rebates!)**
- ◆ DWP to transfer Social Fund Payments to Local Authorities



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## Conclusions

- ◆ East Lothian residents relying on 'working age' Welfare Benefits will see their income fall
- ◆ HB changes will cause many to either use more of their diminishing income for rent or move house.
- ◆ Changes contrary to Scottish Govn't policies, will impact on ELC Housing Strategy & may increase rent arrears & potential for homelessness
- ◆ Immense pressure likely to be placed on Social Rented Sector & all related Council Services



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## Conclusions Cont'd

- ◆ Universal Credit (UC) paid directly to claimants likely to see the end of rebated rents, (Councils, RSLs & Private Landlords obliged to pursue all of their tenants for 100% of rent)
- ◆ Similar plans for Pensioners may see Pension Credit absorb 'housing cost' element
- ◆ Central processing of UC by DWP may diminish East Lothian residents access to welfare benefits
- ◆ Long established link between welfare benefits & housing costs diminished/broken



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**Questions & Contact Details**



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