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Rt.Hon.Jain.Duncan-Smith.MP  
The House of Commons  
London, SW1A 0AA

**Barrow Borough Council**  
**Councillor Jack Richardson**  
**Leader of the Council**

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Our Ref: JR/KS

Contact Name: Jack Richardson

Date: 30.7.10

Your Ref:

Tel No: 01229 876504

Dear Sir

**HOUSING BENEFIT**

There is no doubt that changes are needed to the Housing benefit (Local Housing Allowance) system but those proposed, whilst addressing financial need, do not necessarily take into account some essential social needs.

Barrow in Furness, for example, suffers the following social statistics: -

*22% of children are from families on out of work benefits*

*The key Deprivation Statistics at a Borough Level 2007 Indices of Multiple Deprivation confirm that Barrow is the most deprived in Cumbria.*

*Economic decline brought with it problems of deprivation. The Government's 2007 Deprivation Indices rank Barrow as the 29th most deprived local authority area out of 354 in England and it is the only district in Cumbria among the 50 most deprived districts in the Country.*

*Cumbria contains eight areas ranked among the 3% most deprived in England and of these six are in Barrow.*

*To understand the scale of deprivation in Barrow it is helpful to note that these six areas are home to over 8,000 people, which is more than the entire population of towns like Cockermouth, Egremont and Millom, and similar to the population of Windermere and Bowness.*

*Furthermore the areas are clustered in four adjacent wards with a combined population of nearly 20,000 people - more than the entire populations of Ulverston or Penrith, over two thirds the population of Workington and four fifths that of Kendal.*

While unemployment across Cumbria has gradually fallen over recent years, rates remain highest in Barrow. In July 2007 the unemployment rate in Barrow (2.6%) was a full percentage point above the Cumbrian average (1.6%) and over a quarter percentage point above the UK average (2.3%). Long-term unemployment also persists in the town. The numbers of long-term unemployed (claiming benefits for over one year) fell across Cumbria over the two years to July 2007, with the exception of Barrow where almost 13% of the workforce has been out of work for over 12 months.

The proposal as outlined further within this report, to reduce by a further 10% the Housing Benefit payable to longer term JSA claimants, the unemployed, in an area where there is little work, unjustly impacts upon the ability for those claimants to find and sustain accommodation.

Therefore, a sweep-all approach to Housing benefit is simply inappropriate and profoundly damaging to an area such as Barrow in Furness. The current proposals/intentions need to be reconsidered and a reassessment of the problem with a similarly redesigned solution sought.

Choice to whom payment should be made, including landlords is a welcome change for all the recognised reasons, whereby "HB applicants" may be ineligible for many properties. Whilst there was a recent Court ruling (Doncaster - v - Coventry City Council) which in provided a solution to the issue of direct payment to the landlord, the statutory provision of choice, is a welcome return to the previous effective arrangement.

There will allegedly be cuts in the rates of HB that will be paid for larger properties, which accommodate families. From next April, LHA will be capped at £250 for a one bedroom property, £290 for a two bedroom property, £340 for a three bedroom property and £400 a week for a four bedroom property. It is clear that some people currently enjoying a 4 bedroom property, funded entirely through the Benefits system, should they be in work, would not be able to afford such a property and would need to consider smaller property/accommodation.

Whilst this restriction is clearly needed where city landlords, (many buy to let) disproportionately benefit through the current system, those in other areas, who receive for example £90 per week for a two bedroom property (£200 per week less than in cities) find little comfort in the proposals. Clearly there is recognition of varying property values but the difference is too great.

Landlords are incurring an ever increasing legislative burden and often provide accommodation to "vulnerable" tenants with challenging behaviour (where Social Housing providers for whatever reason have been unable to meet the need). Where the latter occurs, landlords often incur irrecoverable repair and substantial reinstatement costs which are not covered by HB... whilst there may be a case to suggest, do not accommodate such tenants, who will?

Benefit applications should contain a proviso and agreement from claimant that their forwarding address will be provided to the previous landlord where such a tenant vacates a property without giving notice or advising the landlord, and/or where the landlord can demonstrate that there has been damage caused to the property by the outgoing tenant, or where there may be any dispute regarding Housing Benefit after the tenant has left.

Under the current scheme, no consideration is taken of the special needs of the individual, as used to be the case under the old HBR 11... protected status. For example, a family with two children of the same sex, are required to have the children share a room, until they are 15 years old. This fails to consider that one child may have medical or other disabilities whereby sharing is not a viable option and/or where the other child may be disturbed at night. **This is a particularly important issue** and requires consideration and adjustment. House size should be determined not only on the make-up of the family/tenants, but their special needs, where appropriate, within of course, specific parameters, but which should be flexible to accommodate special needs etc.

Whilst there is no doubt that safety of residents is essential, draconian Labour legislation through the Housing Health and Safety Rating System (HHSRS) (a new risk assessment tool used to assess potential risks to the health and safety of tenants in rented properties) creates yet another financial and resource burden on landlords. This, coupled to other "safety" and other regulatory procedures, and reductions in Housing Benefit, (LHA) reduces even further a property owner's ability, to invest in and enhance their properties, to the benefit of tenants. Furthermore, HHSRS is worthless and a burden upon Local Authorities to administer. Where a landlord accommodates "problematic or difficult" tenants, a compliant inspection "today" may be in compliance the following day because of tenant behaviour.

Any rise in interest rates will further depress the buy-to-let housing market as costs increase and income falls. There is already talk of landlords selling property portfolios as banks remain reluctant to lend where tenants are funded through Housing Benefit.

Barrow already suffers an acute shortage of 3-4 bedroom properties, to meet the needs of families, the proposed measures will further exacerbate the position.

It is therefore essential that housing benefit levels in some areas are maintained if not slightly increased to reflect the additional burdens now placed upon landlords. We should not take a sledge-hammer to crack a nut but instead concentrate on specific problems and the areas in which they occur.

Jobseeker's Allowance claimants who are in receipt of Housing Benefit will also be penalised - from April 2013 after they have been claiming JSA for a year they will have their Housing Benefit entitlement cut by 10 per cent - presumably meaning that they have to move house, become homeless or pay the extra with their £65 a week JSA.

This is an ill-conceived proposed piece of legislation. Unemployment is likely to increase given proposed cutbacks in public services. However, even if it did not, there are still a great many people, "actively seeking employment" on a daily basis but because there may be no jobs available or no "suitable opportunities" for employment, despite their efforts, they cannot find a job.

It is therefore wrong to further penalise someone who is unable to secure employment because of the economic position. (Perhaps the position needs to be validated by documentary evidence but many job seekers are active, but unsuccessful, not through a lack of effort but a lack of opportunity)

Whilst one might suggest that not all HB claimants are also JSA claimants, it is clear that those seeking to protect their HB will attempt to change from JSA to other illness or disability related benefits; thus creating an even greater burden upon those who have to assess their alleged disability or illness. Claimants will be encouraged to move from JSA to the very benefits we are seeking to review and move others from.

Previously LHA payments were calculated by taking the median level of rent in a Broad Rental Market Area (BRMA). From October 2011 rents will be set at the 30 percentile level of local rents. This may not sound like a dramatic change but the way it works in simple terms is this:

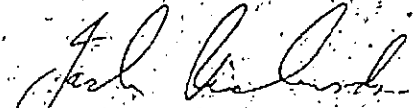
Imagine for example calculating the rent for a 1 bed flat. A list of a hundred rents would be compiled ranked in order with the lowest rent being ranked no.1 and highest numbered 100 for a defined local area. The VOA who calculate the LHA currently use the BRMA. Under the current system the VOA when calculating the median would use the rent which comes in the middle or in this case 50th in the list to come to a figure for the benefit level to be paid to a landlord. However, under the new system to be introduced from October 2011 they will use the 30th rent on the list.

This may not sound that dramatic, but where there is a large disparity in rents in a local area it could lead to a significant reduction in the LHA paid to the tenant and therefore received by a landlord letting to a tenant on benefits.

In areas such as Barrow in Furness, where LHA levels are already some of the lowest in the country (but not necessarily the price of property) any further reduction in rental levels will have a catastrophic effect on property lettings as landlords and agents have already confirmed. With some degree of cynicism, with the changes effective from October 2011, I suspect that there will be a concerted effort to artificially drive down LHA levels between now and then so that when the 30th percentile is applied it is even lower than the current figures in VOA chart suggests.

This is not the way to encourage investment, private sector housing or to address the actual problems with Housing Benefit. To reiterate, the need to deal with the current system is acknowledged; the current proposals are not the solution.

Yours sincerely

  
Councillor Jack Richardson  
Leader of the Council

Your ref: JR/KS

Our ref: POS(4)4013/586

Councillor Jack Richardson  
Leader of the Council  
Barrow Borough Council  
13 Keswick Avenue  
Barrow-in-Furness  
Cumbria  
LA14 4LL

26 August 2010

Dear Jack

Thank you for your letter of 30 July to the Secretary of State regarding the measures announced in the Budget about Housing Benefit in the private rented sector.

We are acting decisively to stop the rapid increase in Housing Benefit expenditure which is expected to reach £21 billion this year. These changes are essential because rates of Housing Benefit in the private-rented sector have increased to unmanageable levels; and many customers are able to enter into rental commitments that people earning a reasonable wage would not consider.

You are concerned about the measures we will be introducing from October 2011; to reduce Local Housing Allowance rates overall by setting them at the 30<sup>th</sup> percentile. This change will result in Housing Benefit levels which are fairer and more sustainable. This will still mean around a third of properties will be affordable to Housing Benefit customers. Local Housing Allowance rates have been generous with an average award of £112.94 compared with £103.65 for other private deregulated tenants.

Although many customers will lose out as a result of these changes we need to stop the rapid increase in Housing Benefit expenditure.

People on benefit should make the same choices about their housing that people who do not get benefit have to make.

We will ensure that the full range of options for customers facing a shortfall in their rent, from renegotiating their rent levels through to applying to their local authority for assistance in obtaining alternative accommodation is publicised and that people are encouraged to consider these options in good time. The Department will work with local authorities and advice agencies to ensure that customers are informed of these changes in a variety of accessible media.

Local authorities can make discretionary housing payments to customers whose Housing Benefit falls short of their rent. We will treble the Government contribution to their discretionary housing payments budgets to allow local authorities to give additional support where they consider it is needed. For example, they might provide help to give customers time to find alternative accommodation, or provide longer-term support for customers who are less able to move.

We published an equality impact assessment on 23 June covering the Housing Benefit measures due to be introduced during 2011 and we are taking forward further work to assess the effect of these changes for the wider impact assessment. This will look at the impacts on local authority housing departments, and other local services particularly with regard to social mobility, homelessness and overcrowding. We will also work with other Government Departments and the devolved administrations over the forthcoming months to explore strategies that can be adopted to ease the process for households seeking and moving to alternative accommodation.

You raise the issue of the reduction of Housing Benefit entitlement for those customers that have been in receipt of Jobseeker's Allowance for 12 months that will be introduced in April 2013.

This measure is targeted at people who are expected to work. We take the view that 12 months is a reasonable time for most people in this target group to find work. Only a small percentage of people are claiming Jobseeker's Allowance after 12 months, with around 90 per cent of customers having left by that time. However, we recognise the specific difficulties that some people face in getting work, and Jobcentre Plus has an integrated system in place to address these diverse needs. I can assure you that the measure will not apply to people who are not required to seek work.

The detailed design of the measure will be developed over the coming months. During this process we will carefully consider the likely impact on benefit customers, including those claiming Jobseeker's Allowance who have a degree of disability, and publish a full impact assessment to accompany the relevant legislation when this is introduced in Parliament.

You suggest including provision in Housing Benefit applications to allow forwarding addresses to be provided to the previous landlords.

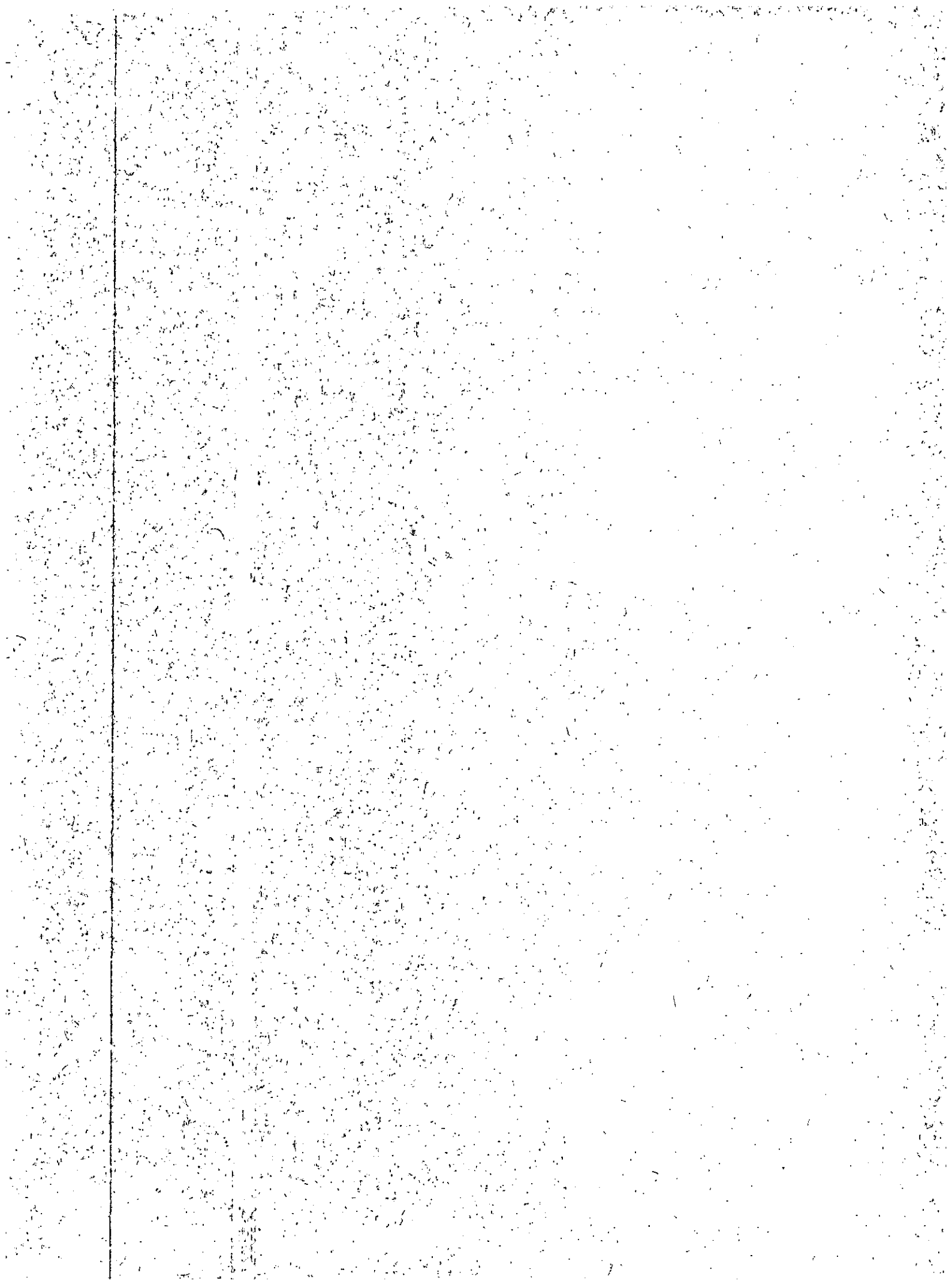
Both local authorities and this Department are bound by the terms of the Data Protection Act which imposes certain responsibilities on organisations who use and share personal information. In addition, there are specific provisions in the Social Security Administration Act 1992 which permit the sharing of customer social security information where it is necessary in order to administer a claim for benefit. As a general rule, information about a claim can only be imparted to the person in whose name the claim is made, or to a third party, where the customer has given their consent to this. Current legislation does not allow the routine sharing of social security information with third parties, including previous or current landlords. You could ask the customer for their consent to release such information for example on a change of address, but their entitlement to benefit must not be made conditional on consent being provided.

Turning to your point about payment of Housing Benefit to landlords; no decisions have been made regarding the re-introduction of tenant choice. The Department is conducting a review of the first two years' operation of the Local Housing Allowance arrangements. The review aims to cover a range of issues including direct payment to tenants. The review will include qualitative research with tenants, advisors and landlords on their attitudes to, and experiences of, the Local Housing Allowance. The review is due to report in the autumn. Direct payments to tenants will be fully considered in light of that report.

I hope this is helpful.



**Lord Freud**  
**Minister for Welfare Reform**







LEADER'S OFFICE

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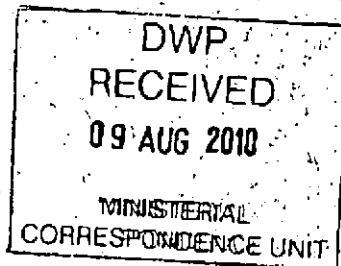
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Rt Hon Iain Duncan Smith, MP

Your Ref:  
Our Ref:

Monday, 02 August 2010



Dear Mr Duncan Smith,

We would like to draw your attention to the serious concerns we have regarding the planned changes to the Housing Benefit system as announced in the budget. We believe that these changes will have significant consequences for our Borough and for the London region as a whole:

To summarise what the issues are from our perspective:

1. The application of the caps on Local Housing Allowance will make many parts of London effectively no-go areas for families on Housing Benefit;
2. The application of the 30<sup>th</sup> percentile to the calculation of the Local Housing Allowance will further exclude a number of other areas;
3. The application of the 10% reduction in HB payments for those on Job Seekers Allowance for more than one year will create a significant disincentive for Landlords to operate in this market. Although the Housing Minister has indicated that this change will only be introduced in 2013, the impact will be felt long before that as rational landlords aim to manage their exposure to risk.

We understand very well the pressure to manage spending on the HB budget, which has grown so rapidly over recent years. This increase in London in particular must to a degree follow the exponential increase in house prices and rents over the last few decades.

Lurid headlines of those very few families living on benefits apparently enjoying luxury lifestyles do not help of course. These rare cases - aberrations of the rather crude initial approach to setting rents for very large families - should be seen as just that, exceptions that should not dominate policy thinking. The arguments made that non-working households appear

to be rewarded by living in better circumstances than those making the effort to work but caught in a poverty trap need to be understood and addressed. However, the approach set out in the budget does not seem to address the complexities of the matters at hand, or take in to account the very serious consequences that arise for the most vulnerable in our society. Neither does it appear to recognise the full responsibilities of local authorities in not only administering the housing benefit system, but also assisting those threatened with homelessness. Nor, indeed does it appear to take into account the wider responsibilities of local authorities in building sustainable communities.

The outcomes of this social experiment are difficult to predict with any degree of accuracy. We have set-out some likely implications:

1. A number of landlords may indeed accept significantly lower rents. But over time, possibly quite quickly, landlords will exit the market for families on HB. They may go upmarket to the professional sector, or they may in fact go down market to make family homes in to HMO type accommodation. A third possibility, and a very real one is that landlords will start to sell their properties reducing the size of the private rented sector as a whole;
2. With the advent of no-go areas there will also be areas of London that become 'dumping grounds', no doubt these will be areas that are already more deprived than others;
3. Where landlords do not reduce their expectations of rental income more evictions will take place. Such households will inevitably approach Boroughs for assistance;
4. Boroughs will be increasingly challenged in terms of finding suitable accommodation – either housing options in the private rented sector or suitable Temporary Accommodation;
5. The duties of local authorities will still need to be discharged, but the planned changes to HB subsidy rules will increase the costs to local authorities in London by tens of millions of pounds. This can't be seen as anything other than a significant cost shunt from central to local government.

As you will be aware over a number of years boroughs have been working very hard on homeless prevention initiatives and finding solutions in the private rented sector. These approaches have often been tied in to broader strategies to reduce temporary accommodation, which have been subject to national and regional targets. This approach has been highly successful and has been underpinned by offering some choice to the homeless families. Indeed the construction of the homeless legislation means that prevention and offers in the private sector must be given on the basis of choice, and will require the property to be of good quality. Many of the professionals in the field do not believe this approach can continue, in the light of the announced HB changes, with the likelihood that homeless applications and homeless acceptances will increase, possibly by two or three times above current

levels. Given the supply and demand imbalance in London, temporary accommodation must escalate rapidly, and therefore rapidly undoing the gains made over recent years. The arguments against the use of temporary accommodation are well rehearsed and indeed have influenced the development of the Mayor's Housing Strategy.

In Brent we are currently working through the proposals and the impact they will have on our residents. Our initial analysis indicates that there are almost 2,000 households impacted by the cap, as the table below illustrates the average loss is considerable, particularly for the largest families. The total loss for Brent residents will be in the region of £9m per annum.

**Impact of Caps on Brent LHA Recipients**

Bedroom size	Cap	Cases over Cap	Average over Cap
1	250	1	£ 5.00
2	290	1,100	£ 41.73
3	340	497	£ 93.52
4	400	214	£ 159.93
5	400	162	£ 242.53
6+	400	14	£ 262.35
All Cases		1,988	
Total Shortfall			£8,817,844

We believe that the £400 cap is inadequate to house a four-bedroom household in the private rented sector and it is perverse to set the same cap for still larger sized families. It appears to be the intention of Government, that larger families, should not be expected to reside in properties larger than four-bedroom. If this is the policy intention then of course it is not congruent with the homelessness legislation, which requires local authorities to offer accommodation that is reasonable and meets the household's needs, including being of an adequate size. Our Borough is one of the most ethnically diverse local authorities in the country. Our experience is that BME groups are over-represented in larger sized properties. Indeed the DWP's own analysis confirms this. There is an equalities dimension that appears not to have been addressed thus far.

The reduction to the 30<sup>th</sup> percentile for calculating the LHA will further suppress rents. The impact of both this change and that of the introduction of the caps must inevitably lead to a substantial increase in homelessness. We will need to manage this surge of demand without one of our most crucial resources for preventing homelessness, access to the private rented sector. Therefore the costs to the Council will substantially increase due to the need to provide temporary accommodation costs that are not adequately met through the HB subsidy regime.

We understand that there is a pressing need to reform the Housing Benefit system and to address the gap in public finances. However, we are of the strong view that unless there is significant change to these proposals, particularly in the way that they impact on London, the consequences for the public purse will be significantly worse and the positive work around homelessness will be pushed back by many years. We are of the view that the private rented sector is an invaluable resource for local authorities, particularly for London authorities given the extreme disparity in the supply and demand for social housing in the Capital. It may be the case that that the blunt instrument of LHA could have led to some landlords maximising revenues at the expense of tax payers. We believe that local authorities are in a far better position to understand the local market and could take a role in rent determination, an approach that will almost certainly be more nuanced and provide better value for money than the one currently being operated, or indeed the one being proposed.

We welcome your comments, and we would be more than happy to meet with you if that is helpful.

Yours sincerely,



**(Cllr) Ann M John, OBE**  
**Leader of the Council**



**Cllr Bobby Thomas**  
**Lead Member for Housing & Care**

Copies to: Barry Gardiner, MP  
Glenda Jackson, MP  
Sarah Teather, MP  
Boris Johnson, Mayor of London



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Councillor Ann M John OBE  
Leader of the Council  
Brent Council  
Room 214, Brent Town Hall  
Forty Lane  
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Middlesex HA9 9HD

16 August 2010

*Dear Ann*

Thank you for your joint letter of 2 August with Councillor Bobby Thomas to the Secretary of State for Work and Pensions regarding Housing Benefit reforms. I am replying as the Minister with responsibility for Housing Benefit.

We are taking decisive action to put a limit on the amount of rent to be met through Housing Benefit. These changes are essential because rates of Housing Benefit in the private-rented sector have increased to unmanageable levels, and many customers are able to enter into rental commitments that people earning a reasonable wage would not consider. In some areas the Local Housing Allowance has given rise to rates which are excessively high. For example, in central London recently Local Housing Allowance rates for a three bedroom property have been as high as £743.98 per week and exceptionally for five bedroom properties £2,000 per week. This is far more than most working families with average incomes could afford.

We recognise that some households, particularly in very high cost areas, may have to move as a consequence of these measures. In London, some households may need to move from central London to outer London boroughs or neighbouring local authorities which are not impacted by the overall caps. We appreciate that outer London boroughs could be faced with an increased number of new Housing Benefit customers needing access to additional services such as schools and health care.

As part of the Department's ongoing work to assess the impact of these changes we will carry out an economic impact assessment. This will look at the wider effects on local authority housing departments, and other local services particularly with regard to social mobility, homelessness and overcrowding. We will also work with other Government Departments and the devolved administrations over the forthcoming months to explore strategies that can be adopted to ease the process for households seeking and moving to alternative accommodation.

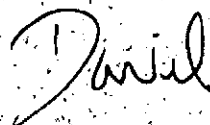
Although many customers will lose out as a result of these changes, we need to stop the rapid increase in Housing Benefit expenditure. People on benefit should make the same choices about their housing that people who do not get benefit have to make. We will ensure that the full range of options for customers facing a shortfall in their rent, from renegotiating their rent levels through to applying to their local authority for assistance in obtaining alternative accommodation, is publicised and that people are encouraged to consider these options in good time. The Department will work with local authorities and advice agencies to ensure that customers are informed of these changes in a variety of accessible media.

As you will be aware, local authorities can make Discretionary Housing Payments to customers whose Housing Benefit falls short of their rent. We are trebling the government contribution to Discretionary Housing Payments budgets to allow local authorities to give additional support where they consider it is needed. For example, they might provide help to give customers time to find alternative accommodation, or provide longer-term support for customers who are less able to move.

I appreciate your comments on alternatives to the current arrangements. We recently published a discussion paper *21<sup>st</sup> Century Welfare*. This seeks views on a range of options for reforming the welfare system including the provision of support for housing costs and you may wish to respond with your views. The consultation period closes on 1 October.

I hope this is helpful.

Yours sincerely,



Lord Freud

Minister for Welfare Reform



**DWP** Department for  
Work and Pensions

Caxton House  
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Our ref: POS(4)4013/582

Councillor Bobby Thomas  
Leader Member for Housing and Care  
Brent Council  
Room 214, Brent Town Hall  
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Middlesex HA9 9HD

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I hope this is helpful.

*Yours sincerely,*

*David*

Lord Freud

Minister for Welfare Reform





**Brighton & Hove  
City Council**

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Secretary of State  
RT Hon Iain Duncan Smith MP  
Department for Work and Pensions  
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Date: 26 August 2010  
Our Ref: VP/IDS  
Your Ref:  
Phone: (01273) 291851  
Fax: (01273) 291862  
e-mail: Valerie.Pearce@brighton-  
hove.gov.uk

Dear Secretary Of State RT Hon Iain Duncan Smith MP,

Invitation to visit Brighton & Hove City Council

Congratulations on your new role.

We would like to invite you for an informal visit (or formal if you prefer) to our Council.

We would welcome the chance to talk with you and show you what we have done on Housing Benefits – Local Housing Allowance and work to prevent homelessness. We would of course be happy to cover any area that you would find of interest. We are a four star benefits service, which has recently been reaccredited with the Customer Service Excellence standard. We have a good track record of working in partnership with Central Government, and would love the chance to talk with you and listen to your concerns and objectives.

We would be happy to fit in with your time and date requirements for your visit and will be as flexible as we can.

We look forward to hearing from you.

Yours Sincerely,

Cllr Trevor Alford  
Cabinet Member for Central Services

Valerie Pearce  
Assistant Director, Customers and Information

64

[REDACTED]

**From:** [REDACTED]

**Sent:** 26 August 2010 10:16

**To:** DWP Caxton House ClerkPr

**Subject:** Invitation to Brighton & Hove

Dear Mr. Duncan Smith

Please find attached an Invitation to Brighton & Hove City Council.

Kind regards,

Valerie Pearce  
Assistant Director  
Customers & Information  
Finance & Resources Directorate  
Brighton & Hove City Council  
PO BOX 2929, Priory House, BN1 1PS  
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REC'D  
27 AUG 2010  
CORRESPONDENCE UNIT

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**Ana Pasantes**

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**From:** [REDACTED]  
**Sent:** 06 September 2010 11:13  
**To:** [REDACTED]  
**Subject:** Response to Housing Benefit changes - Brighton & Hove City Council  
**Attachments:** submission to work and pensions committee - changes toHB.doc

Dear all  
For your information and interest, please find attached the submission by the Conservative Administration of Brighton & Hove City Council to the Work and Pensions Select Committee Inquiry into the Coalition Government's proposed changes to Housing Benefit.  
Kind regards

[REDACTED]

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DWP 7





## Brighton & Hove City Council Conservatives

### **Impact of the provisions in the June 2010 budget to Housing Benefit and Local Housing Allowance (LHA) in Brighton and Hove - August 2011**


We welcome the announcements to changes to Housing Benefits and the savings they should deliver. However in Brighton and Hove there are a few issues that if tweaked along with the removal of regulatory burdens would enable us to not only be able to deliver the savings intended by the HB changes but would enable us to deliver the wider outcomes set out in the City-wide Housing Strategy 2009-2014. This is in line with emerging Government priorities in terms of reducing the number of people on housing benefit on our estates and tackling the high levels of poverty, which sees some parts of our City having the highest levels of deprivation in the South East. The Private housing sector is a key factor in achieving these outcomes as it enables us to use our social housing to target low paid working families as an incentive to stay in work and remain off benefits

The city has one of the largest private rented sectors in the country comprised of 28,000 homes, almost a quarter of all the city's housing (23%). We have utilised this resource to assist households in housing crisis, with many homeless households benefiting from properties leased on a long term basis from private sector landlords, offering homes with a higher quality and greater level of stability than households were receiving from traditional temporary accommodation.

The average monthly rent on a 1 bed flat in the city during the first quarter of 2009 was £654 with a 3 bed house costing £1,124. When comparing these payments to mortgage costs we find that the rent payment on a 1 bed flat is similar to the payment of a mortgage of around £101,500 requiring an income of £31,000 to finance. For a 3 bed home, this is a mortgage of around £174,500 requiring a household income of £53,500 to finance. Half of all households in Brighton & Hove earn below £29,950 and are likely to face financial difficulty in renting the average 1 bed flat.

The pressure on benefit is exacerbated by the high proportion of single vulnerable people in the city.

The challenges that these circumstances present can however all be met if we can delay the reduction to bottom 30<sup>th</sup> percentile due in October 2011 and use that income to invest in our reducing inequalities programme "Turning the Tide" which is our version of the work undertaken by the Centre for Social Justice and the ideas pioneered by Iain Duncan Smith. This will enable us to focus on getting unemployed households into work and training and hence reduce the pressure on benefits the following year over and above what is anticipated with the HB changes.



One consequence of the HB changes in the short term, may be to make the private sector a less attractive option for households faced with homelessness, which would in turn increase homeless applications. This would put pressure on Temporary Accommodation and on the Allocations process whereby an increasing proportion of lets would be going to households who had become homeless and would making it virtually impossible for our low paid working families to access affordable housing and forcing them back on to benefits to survive.

If the duty to provide accommodation under the Homelessness Act could be discharged by offering private sector accommodation rather than permanent accommodation under Part 6, then that would enable Councils to use their Allocation policy to address local priorities. This would enable us to give priority for Social housing to households who are working or those positively contributing to the City, and hence incentivise and facilitate more households to work as they wouldn't be dependent on benefits. This would also deliver benefit savings.

These tweaks would allow us to: make better use of our existing housing assets; maximise inward investment to improve and deliver homes; lessen regulation; enable us to better target housing capital investment to meet tenant aspirations for their homes; meet the needs for more and larger family homes in the city; enable us to make balanced use of all housing stock in the city; enable working families to access the homes they need; support vulnerable households to maintain their tenancies but not marginalise them in social housing where we have already have deprived communities we are seeking assist.

Please see the summary below for our analysis of how the proposed housing benefit changes would affect Brighton and Hove and ask that you please consider our requests

- 1) That the reduction to bottom 30<sup>th</sup> percentile due in October 2011 is delayed for at least a year and phased in over a two year period so we can manage the impact on our housing service and continue our "Turning the Tide" work
- 2) That the duty to provide accommodation under the Homelessness Act could be discharged by offering private sector accommodation rather than permanent accommodation under Part 6 which would enable Councils to use their Allocation policy to address local priorities

Councillor Maria Caulfield – Cabinet Member for Housing, Brighton & Hove City Council  
Councillor Trevor Alford – Cabinet Member for Central Services, Brighton & Hove City Council



## Appendix – detailed comment

- 0.1 On June 22<sup>nd</sup> the government announced changes to the Local Housing Allowance (LHA) scheme which will impact on the caseload in Brighton and Hove alongside changes already announced by the previous government.
- 0.1.1 Once the changes have been applied 7546 customers in Brighton and Hove will be in a position where their LHA does not meet the full cost of their rent. This is an increase of 3061 claims.
- 0.1.2 The average overall reduction in LHA will be £13.70 per claim per week. Over the whole caseload this is approximately £8.5 million per year.
- 0.1.3 These reductions are not demographically consistent across the caseload. Families with children will see their LHA entitlement reduce by significantly more than the average.
- 0.1.4 The Government has introduced the provision for disabled people who need an overnight carer to be entitled to an extra room in their LHA. This is likely to affect between 50 and 100 cases in Brighton and Hove.
- 0.1.5 The changes will apply to claims on a rolling basis between April 2011 and October 2012. The months in which the biggest impacts will occur are April 2011, 3245 claims; and April 2012, 2623 claims.

### 0.2 Chronology of impact

- 0.2.1 In April 2011 2004 claims with non-dependents will start to experience accelerated deductions made from their benefit. 461 of these will be LHA claims. The remaining claims are Council or Housing Association claims.
- 0.2.2 In April 2011 3245 claims will lose any excess LHA they are paid above their rent. This will affect a further 4003 claims between May 2011 and April 2012.
- 0.2.3 Between October 2011 and October 2012 customers will see their entitlement reduce in line with the new LHA rates based on the 30<sup>th</sup> percentile. Of these claims 7546 will have their LHA based on a rent which is lower than the rent they pay. The largest single impact of this change will be in April 2012 when 2623 claims will be affected.

## 1. Introduction

- 1.1 In the emergency budget in on 22<sup>nd</sup> June 2010 the government announced changes to Housing Benefit and Local Housing Allowance.
- 1.2 The impact of the proposed changes will affect tenants and landlords of privately rented accommodation and tenants and landlords of social accommodation.
- 1.3 The changes are planned to be introduced in two main tiers; those from 2011 and 2013. The 2013 changes require primary legislation to enact and due to the timescales involved are more likely to be subject to change through consultation.
- 1.4 This paper examines the 2011 changes which impact mainly on Local Housing Allowance.

## 2. Context

- 2.1 Local Housing Allowance in Brighton and Hove is paid to people who rent their homes from private landlords. A customer is entitled to a rate which reflects the size of accommodation required by their family. For example a couple with one child are entitled to the two bedroom LHA rate. The amount payable for each rate is set by The Valuation Office Agency and taken from the average (median) of a sample of local rents.
- 2.1.2 Local Housing Allowance is currently paid to 12147 families in Brighton and Hove. The private sector House Condition Survey 2008 report completed by the Private Sector Housing Team identified there were 28,300 privately rented dwellings in Brighton and Hove. Based on these figures LHA is payable on 43% of private tenancies in the city.



2.2 Summary of main LHA changes

2.2.1 Table 1 shows the main changes being introduced for Housing Benefit and Local Housing Allowance

2.2.2

Table 1

Change	Date to be introduced	Directly affects?
Introduction of a second bedroom for people with non-resident overnight caring needs	April 2011	Private tenants Approx 50 – 100 claims
Removal of the current £15.00 excess (note this was originally scheduled to occur in April 09 but was delayed until April 2011, therefore this is not specifically part of the June 2010 budget but does form part of the overall LHA changes)	April 2011	Private tenants whose LHA is based on a higher amount than their rent. 7225 claims
Capping the LHA rate to a maximum of four bedrooms	April 2011	Private tenants 5 claims
An absolute ceiling on LHA rates as follows: £250 for a one bedroom property £290 for a two bedroom property £340 for a three bedroom property £400 for a four bedroom property	April 2011	Does not impact on LHA rates in Brighton and Hove. Largely applies to London Boroughs
Increasing deductions for non-dependents in line with inflation. Normalise current rates to the level they would have been if not frozen in 2001 by 2014	April 2011	All Benefit recipients with non-dependents in the household, 2004 claims, 461 LHA claims, 1543 social sector claims*
Increase in DHP grant	April 2011	
Calculating LHA rates using the 30 <sup>th</sup> percentile of market rents rather than the median	October 2011	Private tenants 12147 claims
Linking LHA increases to CPI	April 2013	Private tenants 12147 claims
Introduction of a 10% sanction in HB/CTB for people who have been on JSA for over 12 months	April 2013	Likely numbers unknown at present. Awaiting data from DWP
Limiting Housing Benefit for working age tenants so that it only covers the size of the property they are judged to need	April 2013	Registered Social Landlord and Council tenants. Numbers unknown at present

\* There are 2227 claims with non-dependents in the household however for approximately 10% of these claims no deduction is made due to exemptions.

2.3 Scope of analysis

2.3.1 This paper concentrates on the impact to the private sector LHA claims because these changes will be introduced from April 2011 and complete by October 2012.

2.3.2 This analysis is drawn against the current LHA caseload. It does not take account of any behavioural change the new provisions may influence customers to undertake, for example changing address or moving out of Brighton and Hove to pursue cheaper rents in bordering authorities.





2.3.3 This data is drawn from claim level information held within the current Benefits database. The report concentrates on headline data but there is the capacity to drill down to categories, groups and individual claims if required.

3. **Impact of the Changes**

3.1 When changes will occur on individual claims

These changes will take effect for new claims, when a current customer has a change of address, when a current customer has a change in the family that live with them, or on the yearly anniversary of their LHA claim. This means all current 12147 LHA claims will be assessed under the new provisions by October 2012.

3.2 Overall impact of April 2011 & October 2011 changes

The overall impact of the April and October 2011 changes on the LHA caseload will be as follows:

Table 2

Room levels	Number of cases	Current average amount used to work out LHA entitlement	Average amount used to work out LHA entitlement post changes	Average total reduction in LHA
S1 (shared room)	2783	£82.97	£75.11	-£7.87
B1 (1 bedroom)	5333	£141.62	£128.73	-£12.88
C2 (2 bedrooms)	3007	£184.06	£165.65	-£18.41
D3 (3 bedrooms)	839	£227.37	£209.13	-£18.49
E4 (4 bedrooms)	156	£266.36	£243.87	-£22.49
F5 (5 bedrooms)	29	£300.10	£244.67	-£55.42

This is an average reduction of £13.70 per claim. In total this represents a loss of £8,653,522 from the local economy in Brighton and Hove per year.

4. **April 2011 changes**

4.1 Provision for a second bedroom for a carer

The budget changes introduce the provision for a disabled person who requires overnight care to have a second bedroom as a part of their entitlement. (This is only currently the case if a person has a single permanent resident carer). The specific entitlement criteria has yet to be formalised for this policy but the DWP expect this to effect in the region of 10,000 cases nationwide. Based on the size of the LHA caseload in Brighton and Hove it is likely this provision will apply to between 50 and 100 cases.

4.2 Increase in Discretionary Housing Payment grant

Local Authorities administer payments from the Discretionary Housing Payment fund to families who require extra assistance with their housing costs. The current nationwide fund is £20,000,000 per year. In 2010/11 the grant to Brighton and Hove is £275,835. The budget provisions confirm an increase in the national fund of £10,000,000 for 2011/12 and a further £40,000,000 per year from 2012/13 onwards. However the DHP allocation is going to be based on a separate formula which will direct the additional funding to the areas that will suffer the most detriment out of the proposed changes. In effect this means, almost exclusively, central London.

4.3 Removal of £15.00 excess

At present if the rent a claimant pays is less than their LHA rate they are entitled to keep up to £15.00 of the difference. This provision was originally scheduled to be scrapped in April 2009 but was postponed until April 2011 when it is now due to take effect

Table 3 shows the months in which this provision will impact on the LHA caseload, the number of claims affected and the average reduction in entitlement. For claims where the anniversary date is on or after October 2011 all changes will be assessed at the same time (detailed in Table 7 below).

Table 3

Date of impact	Number of claims affected	Average reduction in Benefit
April 2011	3245	-£12.77
May 2011	560	-£11.44
June 2011	444	-£11.71
July 2011	385	-£13.13
August 2011	318	-£11.88
September 2011	268	-£11.90

This change only affects customers where the amount used to work out their LHA is more than their rent. This will mean that on the whole the majority of this group should still be able to afford their rent. There is a risk that some customers have entered into financial agreements which are dependent on receipt of this excess. If this is the case debt and money advice agencies may be impacted by these changes.

4.4 Capping the LHA rate to a maximum of four bedrooms

This provision will directly affect 5 claims within Brighton and Hove; benefit levels will be restricted by levels between £89.27 and £38.96 pence per week. There are more claims than this where entitlement could be to the five bedroom rate but they are not paid this amount due to the lower contractual rent they pay. This demonstrates that the decision to restrict the LHA to a maximum of a four bedroom property reflects behaviour which is already being reflected in the market.

4.5 Non-Dependent Deduction increases

The amount of benefit a claimant is entitled to is reduced if another independent adult lives in their household. There are six rates of deduction which have been frozen since 2001. Changes in the budget mean that these deductions will be increased to 2001 plus inflation rates by 2014. At present it is unclear whether the inflation measure used will be the consumer price index or the retail price index. These deductions will apply to claims in addition to the other changes detailed in this paper. There are 2227 claims with non-dependent adults in the household, however deduction only apply to approximately 90% of these claims due to exemptions, this means 2004 cases will be affected.

4.6 Absolute maximum caps for LHA rates

The amount of LHA payable will be capped to a maximum of £250 for a one bedroom property; £290 for a two bedroom family; £340 for a three bedroom property and £400 for a four bedroom property. This change will not impact within Brighton and Hove because the current and amended LHA rates are already below these amounts.

5. October 2011 changes

5.1 LHA rates will be calculated on the 30<sup>th</sup> percentile of market evidence

At present LHA rates are based on the median average of the rental evidence collected by the Valuation Office Agency. This change will mean the LHA rates will be based on the 30<sup>th</sup> percentile of this evidence.

The rates at the 30<sup>th</sup> percentile have been published by the valuation office and compare to the current rates as follows:

Table 4

LHA rate	Current rate	Rate at 30 <sup>th</sup> percentile
S1	£83	£78
B1	£150	£138
C2	£190	£173
D3	£253	£227
E4	£322	£299
F5	£411	N/A restricted to E4 rate £299

5.2 Impact on caseload in relationship between LHA and rental affordability

5.2.1 At present (August 2010) the LHA caseload in terms of the relationship between LHA and rent payable is as follows:

Table 5

	Number of claims	Average shortfall between rent and LHA
Claims where LHA meets rental commitment	7662	0
Claims where LHA is less than rental commitment	4485	-£19.64

5.2.1 LHA caseload in terms of the relationship between the LHA and rent payable post October 2011 changes is as follows:

Table 6

	Number of claims	Average shortfall between LHA and rent
Claims where LHA meets rental commitment	4601	0
Claims where shortfall will increase	4485	-£31.76 (-£12.12)
Claims with a shortfall where LHA previously met rental commitment	3061	-£7.08 (-£7.08)

5.4 Timing of LHA October changes:

The October 2011 changes will increase a shortfall already in place for 4485 cases and a further 3061 claims will face a shortfall between amount used to work out the LHA and the rent for the first time. The DWP acknowledge that these changes may mean that households will have to move or to renegotiate rent levels with their landlords. This is likely to impact upon housing support providers within the Local Authority and the City.

The changes will apply to claims in the following numbers on the following months:

Table 7

Month/Year	Breakdown	Number of claims	Average reduction in LHA
October 2011	Increased shortfall	210	-£13.32
	New shortfall	223	-£9.53
November 2011	Increased shortfall	168	-£13.65
	New shortfall	215	-£9.90
December 2011	Increased shortfall	157	-£13.75
	New shortfall	176	-£9.62
January 2012	Increased shortfall	217	-£11.54
	New shortfall	195	-£9.63
February 2012	Increased shortfall	298	-£12.85
	New shortfall	151	-£7.09
March 2012	Increased shortfall	376	-12.05
	New shortfall	158	-6.21
April 2012	Increased shortfall	1521	-£12.18
	New shortfall	1102	-£5.32
May 2012	Increased shortfall	407	£10.93
	New shortfall	172	£-6.10
June 2012	Increased shortfall	398	-£11.47
	New shortfall	174	-£5.61
July 2012	Increased shortfall	443	-£11.18
	New shortfall	174	-£4.66
August 2012	Increased shortfall	147	-£12.17
	New shortfall	147	-£9.69
September 2012	Increased shortfall	142	-£13.91
	New shortfall	174	-£9.39

October 2012

Increased shortfall  
New shortfall

1

£11.59

6 Impact on specific groups:

This section looks at how the changes to LHA provisions will impact on customers in specific groups who will be in a position where the LHA will not meet the rent.

6.1 Overall caseload

Table 8

	Number of claims affected	Average reduction in LHA	Current average shortfall	New average shortfall
Increased shortfall	4485	-£12.12	-£19.64	-£31.76
New shortfall	3061	-£7.07	0	-£7.07

6.2 Impact on pensioners

Table 9

	Number of claims affected	Average reduction in LHA	Current average shortfall	New average shortfall
Increased shortfall	471	-£11.16	-£19.14	-£30.30
New shortfall	250	-£4.51	0	-£4.51

6.3 Impact on working families

Table 10

	Number of claims affected	Average reduction in LHA	Current average shortfall	New average shortfall
Increased shortfall	1403	-£13.59	-£20.11	-£33.70
New shortfall	1109	-£7.59	0	-£7.59

6.4 Impact on families with children

Table 11

	Number of claims affected	Average reduction in LHA	Current average shortfall	New average shortfall
Increased shortfall	1122	-£20.59	-£21.34	-£41.94
New shortfall	1264	-£10.16	0	-£10.18

6.5 The reduction in benefit levels and the increase in the shortfall between the LHA and the rent paid are more acute for families with children. This is largely because the reduction in rates for 2, 3 and 4 room properties where children tend to live is higher than the reduction in the rates for shared rooms and for 1 bedroom properties where families without children tend to live.

7. Impact in Brighton and Hove from the national perspective

The DWP have published their own analysis on the impact of the changes to LHA (Impact of Housing Benefit proposals, Changes to the Local Housing Allowance to be introduced from 2011 - 12, 23<sup>rd</sup> July 2010). The caseload detail and analysis are not from data which is as up to date or as detailed as the data in this briefing note however it does provide useful comparative data from other areas of the country. According to the DWP report the current LHA rates used in Brighton and Hove are on average the 16<sup>th</sup> highest in the Country. They are the 8<sup>th</sup> highest outside of London. The impact of the reduction of the rates to the 30<sup>th</sup> percentile will result in Brighton and Hove having the 18<sup>th</sup> highest reduction in the Country and the 11<sup>th</sup> highest outside of London. Once the LHA reductions have taken place the LHA rates used in Brighton and Hove will be the 16<sup>th</sup> highest in the Country and 4<sup>th</sup> highest outside of London



**DWP**

Department for  
Work and Pensions:

Caxton House  
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London  
SW1H 9DA

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Your ref: VP/IDS

Our ref: POS(4)4013/597

Councillor Trevor Alford &  
Ms Valerie Pearce  
Brighton and Hove City Council  
4<sup>th</sup> Floor Priory House  
Bartholomew Square  
Brighton  
BN1 1JP

9 September 2010

*Dear Trevor and Valerie,*

Thank you for your invitation of 26 August to the Secretary of State. I have been asked to reply as the Minister responsible for this area.

I was grateful to receive your kind invitation. Brighton and Hove City Council is an invaluable partner to this Department and has, I know, worked extremely hard over the years to help deliver a high quality service to our customers.

I am keen to further develop what is already a positive and highly productive relationship and would be delighted to visit you. I would therefore be grateful if you would contact my diary secretary, Pam Collis, on 0203 267 5038 or at [pamela.collis@dwp.gsi.gov.uk](mailto:pamela.collis@dwp.gsi.gov.uk) to arrange a suitable date and time.

*Yours sincerely,*

*David*

**Lord Freud**

**Minister for Welfare Reform**



**Cyllid / Finance**

Pennaeth Cyllid / Head of Finance: Dafydd L Edwards

4J *Wosdaxle TO*  
X-*pst*



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Gofynnwch am/Ask for: Dafydd L Edwards  
☎(01286) 682688  
☎(01286) 682858  
✉ DafyddLE@gwynedd.gov.uk

Ein Cyl / Our Ref DLE/AJ:1089  
Eich Cyl / Your Ref

7 September 2010

The Right Honourable Iain Duncan Smith MP  
Secretary of State for Work and Pensions  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9DA

DWP  
RECEIVED  
10 SEP 2010  
MINISTERIAL  
CORRESPONDENCE UNIT

Dear Minister,

As I have not yet received an acknowledgement of receipt from your office for my letter dated 4 August 2010 (a copy of which is enclosed for ease of reference), I would be grateful if you could inform me if the matter is receiving your attention.

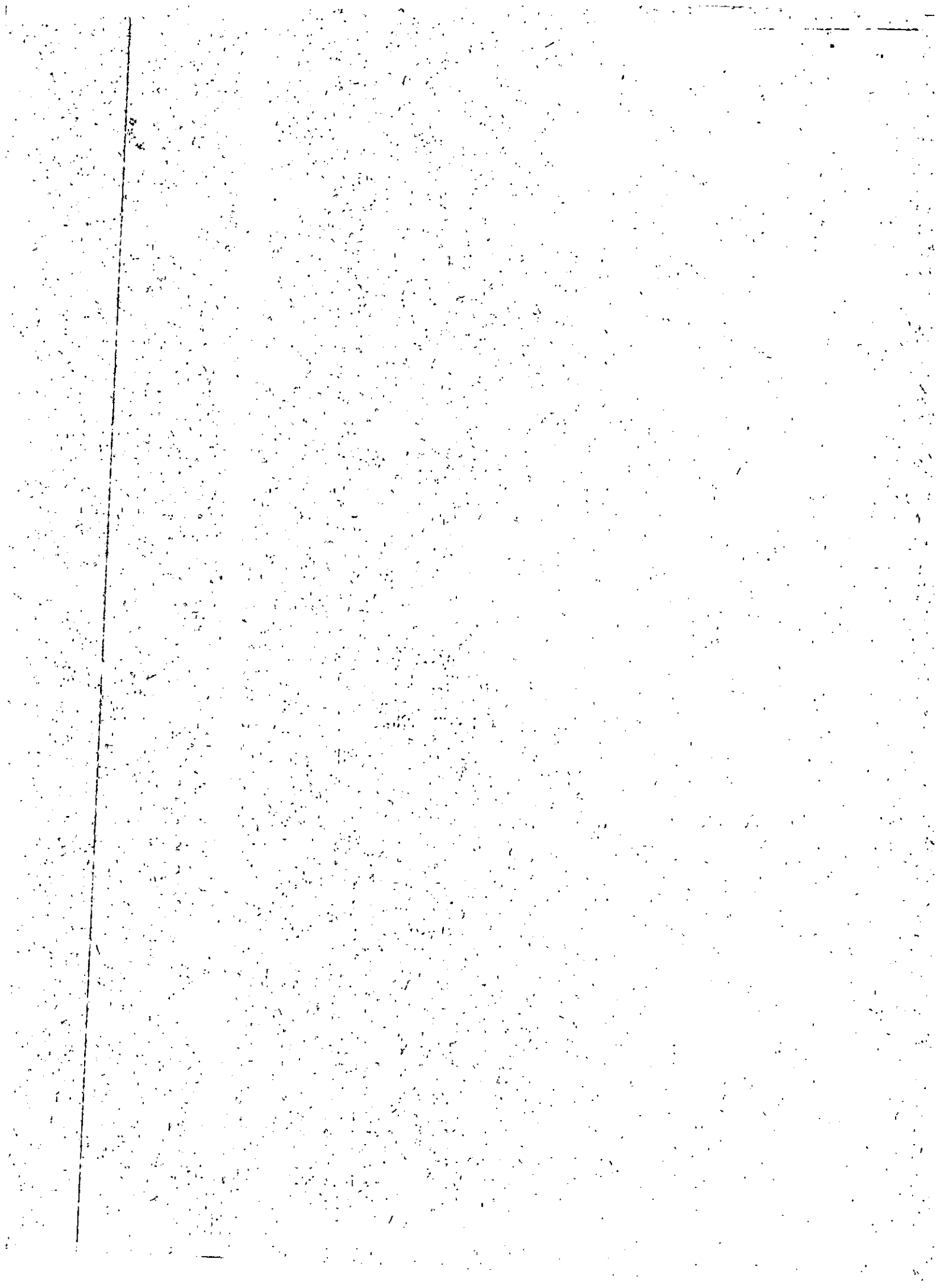
Yours faithfully,

DAFYDD L EDWARDS  
HEAD OF FINANCE

Enc.

DWP  
RECEIVED  
13 SEP 2010  
MINISTERIAL  
CORRESPONDENCE UNIT







## Cyllid / Finance

Pennaeth Cyllid / Head of Finance: Dafydd L Edwards

Gofynnwch am/Ask for Dafydd L Edwards

☎ (01286) 682668

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Ein Cyf / Our Ref: DLE/AJ.1087

Eich Cyf / Your Ref:



4 August 2010

The Right Honourable Iain Duncan Smith MP  
Secretary of State for Work and Pensions  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9DA

Dear Minister,

Please accept this letter on behalf of the Board ('Cabinet') of Gwynedd Council, who would appreciate it if you could acknowledge receipt thereof.

The Board asked me to express their serious concerns regarding Housing Benefit regulations (recently brought into force by the former Government) which prevent local authorities from paying Housing Benefit direct to private landlords.

Previously, with claimants' consent, local authorities had been able to pay Housing Benefit direct to private landlords from the commencement of a tenancy. However, recent revisions to the Department for Work and Pensions' regulations mean that claimants (other than those deemed to be vulnerable) must be in 8 weeks arrears of rent before the Council has discretion to pay the Housing Benefit direct.

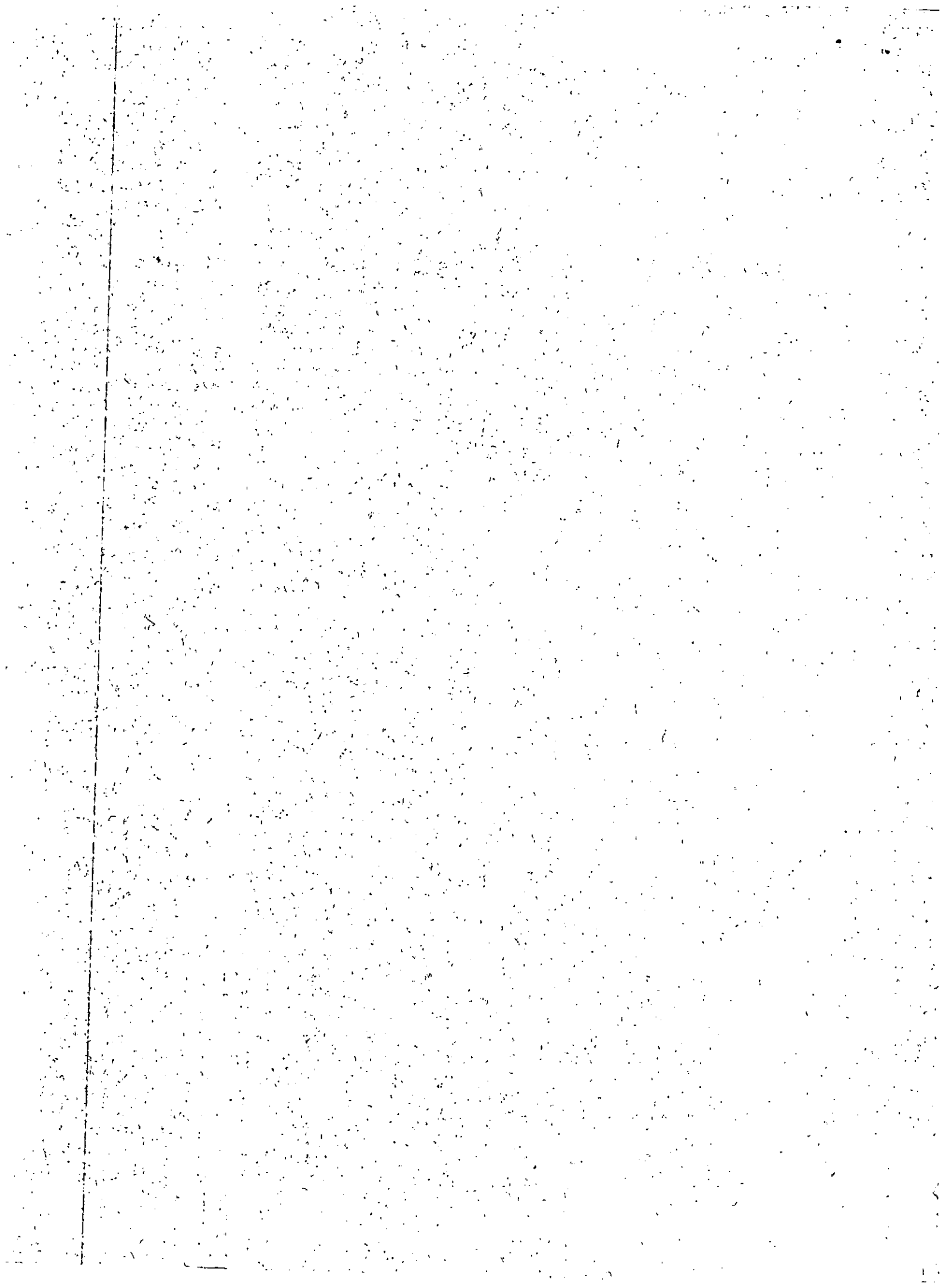
Private landlords are clearly not enamoured with the current regulations, but Gwynedd Council's Board are also concerned that if these regulations are not swiftly revoked, they will increase the number of homeless people.

The Council, and our partner organizations such as GISDA, have had difficulty placing homeless young people as tenants with private landlords since the regulations were changed. If the Council could guarantee that the rent would be paid direct from day 1 onwards, then more private landlords would be prepared to accept homeless young people as tenants.

By paying Housing Benefit to tenants, and in particular to young people who have many competing needs for their restricted budget, we are creating an unnecessary temptation for claimants to spend their 'rent money' on other pressures, which can lead to rent arrears, which in turn can lead to evictions and homelessness. Thus, current Government policy both creates homelessness (and consequent unavoidable costs for local authorities) while also frustrating our efforts to deal with such problems!

Parch • Gwasanaethu • Positif • Gweithio fel tîm • Gwerth am arian  
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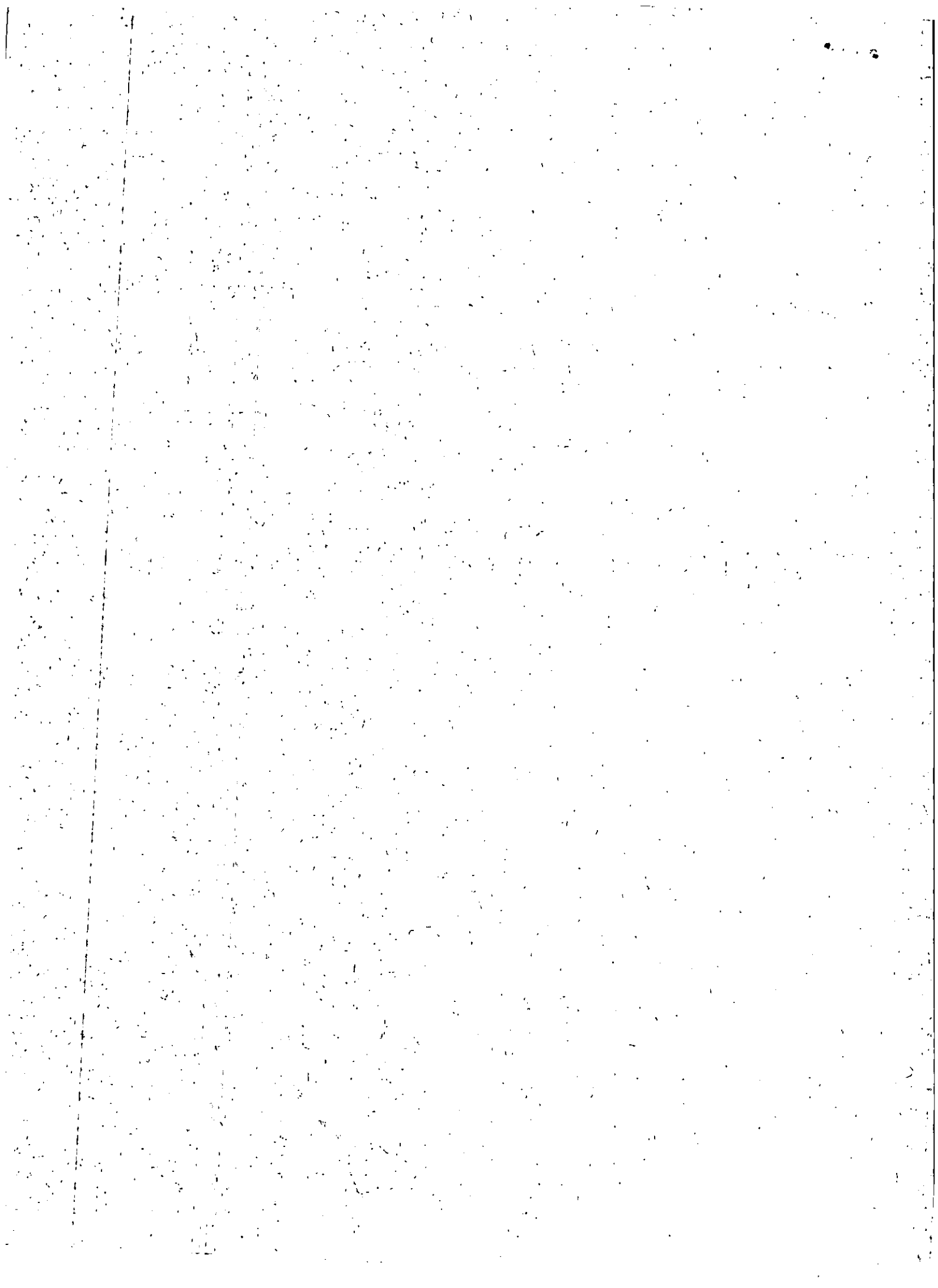


Hence, please consider urgently revoking the legislation introduced by the previous administration at Westminster.

Yours faithfully,

**DAFYDD L EDWARDS**  
**HEAD OF FINANCE**

cc: Councillor John R Jones, Senior Portfolio Leader – Resources  
Councillor Dai Rees Jones, Portfolio Leader – Social Services  
Mair Richards, Chief Executive, GISDA, Tŷ Rhydalun, Penrallt Uchaf, Caernarfon



Website: [www.dwp.gov.uk](http://www.dwp.gov.uk)

E-mail Ministers at: [ministers@dwp.gsi.gov.uk](mailto:ministers@dwp.gsi.gov.uk)

Public, Parliament and Stakeholders Division, Caxton House, Tothill Street, London, SW1H 9NA

Mr Dafydd Edwards  
Gwynedd Council  
Penrallt  
Caernfon  
Gwynedd  
LL55 1BN

**Our Ref: TO/10/25389**

Date: 6 October 2010

Dear Mr Edwards

Thank you for your letter of 7 September to the Secretary of State concerning direct payment to tenants. I hope you will understand that the Secretary of State is unable to deal personally with the vast amounts of correspondence received each day. Therefore, I have been asked to respond and I apologise for the delay.

As you are aware, under the Local Housing Allowance arrangements, payments of Housing Benefit are made to the customer rather than to the landlord in most circumstances. Empowering people to budget for and to pay their rent themselves, rather than having it paid for them, helps develop the skills unemployed tenants will need as they move into work.

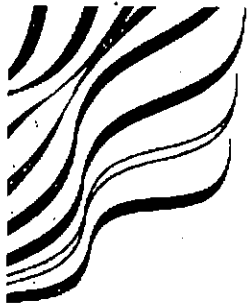
The Government is aware that a number of organisations including Shelter, Crisis and the National Landlords Association have called for tenants to have the choice as to whom their Housing Benefit is paid. These organisations also raised concerns that local authorities may not be consistent in the way they operate the safeguards for customers who are unable or unlikely to pay their rent. In response to these concerns the Department issued revised guidance at the end of last year and more recently we have published good practice. The guidance and good practice is available on the Department's website at: [www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/](http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/)

The Department is conducting a review of the first two years operation of the Local Housing Allowance arrangements to monitor its impact at a national level. The review aims to cover a range of issues including direct payment to tenants, the operation of the safeguards and processing times for Housing Benefit claims. The review will also include qualitative research with tenants, advisors and landlords on their attitudes to, and experiences of, the Local

Housing Allowance. The review is due to report by the end of the year. Direct payments to tenants will be fully considered in the light of that report.

Yours sincerely,

Wendy Jacobs  
Business Delivery Team



130

Newham London

Date: 23<sup>rd</sup> July 2010

REF: MAY 15248

Lord Freud  
Parliamentary Under Secretary of State  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London  
SW1H 9DA

PO
Key Word:

DWP RECEIVED 29 JUL 2010 MINISTERIAL CORRESPONDENCE UNIT
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Dear Lord Freud,

I write to express serious concern about the way the proposals to cap LHA rates will adversely affect Newham and other boroughs in East London.

The LHA cap will essentially make private renting in Inner London boroughs unavailable to people on low incomes, squeezing poorer residents out of their homes to the parts of the capital where rents are cheaper. This puts unacceptable strain on the boroughs which have below average rents, like Newham, both in terms of housing and other public services on which poorer residents tend to rely more.

It will also polarise the city, making the centre of London more exclusively the domain of relatively affluent people; reducing its diversity and inclusiveness and shifting its poor people to the east.

The additional change to the calculation of LHA from the 50<sup>th</sup> percentile of average rents to the 30<sup>th</sup> percentile unrealistically requires housing benefits claimants to subsidise rents through other benefits or income. This will have the effect of reducing security of tenure and increasing pressure on homelessness and other housing services, in an area which already experiences significant challenges in its housing market.

Newham already has a high level of poorer residents and severe pressures on housing and other public services. As a borough, our aspiration is to create mixed communities and shared services and to improve

**Sir Robin Wales**  
Mayor of Newham

London Borough of Newham  
Newham Dockside  
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Host Borough for the London 2012  
Olympic and Paralympic Games

social outcomes for our population. We want to move to a position where we are a net contributor to the UK economy and rely less on the redistributive finance system. Importing additional poverty into the borough will not support this aspiration; quite the opposite. It will make it increasingly hard to provide adequate public services, including housing; particularly in the current public spending climate. It will intensify poverty in our part of London.

I hope you will review this proposal to take into account the migratory effect within London and how this will impact upon London boroughs which have rents below the proposed cap.

Yours sincerely,



Sir Robin Wales  
Mayor of Newham

cc. Jules Pipe, Chair London Councils  
Boris Johnson, Mayor of London





**DWP** Department for  
Work and Pensions

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Your ref: May15248

Our ref: POS(4)4056/259

Sir Robin Wales  
Mayor of Newham  
London Borough of Newham  
Newham Dockside  
1000 Dockside Road  
London  
E16 2QU

19 August 2010

*Dear Sir Robin,*

Thank you for your letter of 23 July in which you expressed your concerns that the overall caps on Local Housing Allowance rates would result in people moving from central London.

We are taking decisive action to put a limit on the amount of rent to be met through Housing Benefit. These changes are essential because rates of Housing Benefit in the private-rented sector have increased to unmanageable levels, and many customers are able to enter into rental commitments that people earning a reasonable wage would not consider. In some areas the Local Housing Allowance has given rise to rates which are excessively high. For example in central London recently Local Housing Allowance rates for a three bedroom property have been as high as £743.98 per week and exceptionally for five bedroom properties £2,000 per week. This is far more than most working families with average incomes could afford.

We recognise that some households, particularly in very high cost areas, may have to move as a consequence of these measures. In London, some households may need to move from central London to outer London Boroughs or neighbouring local authorities which are not impacted by the overall caps. We appreciate that outer London boroughs could be faced with an increased number of new Housing Benefit customers needing access to additional services such as schools and health care.

As part of the Department's ongoing work to assess the impact of these changes we will carry out an economic impact assessment. This will look at the wider impacts on local authority housing departments, and other local services particularly with regard to social mobility, homelessness and overcrowding. We will also work with other Government Departments and the devolved administrations over the forthcoming months to explore strategies that can be adopted to ease the process for households seeking and moving to alternative accommodation.

Although many customers will lose out as a result of these changes we need to stop the rapid increase in Housing Benefit expenditure. People on benefit should make the same choices about their housing that people who do not get benefit have to make. We will ensure that the full range of options for customers facing a shortfall in their rent, from renegotiating their rent levels through to applying to their local authority for assistance in obtaining alternative accommodation is publicised and that people are encouraged to consider these options in good time. The Department will work with local authorities and advice agencies to ensure that customers are informed of these changes in a variety of accessible media.

Local authorities can make Discretionary Housing Payments to customers whose Housing Benefit falls short of their rent. We will treble the Government contribution to their Discretionary Housing Payments budgets to allow local authorities to give additional support where they consider it is needed. For example, they might provide help to give customers time to find alternative accommodation, or provide longer-term support for customers who are less able to move.

I hope this is helpful to you.

*Yours sincerely,*

*David*

**Lord Freud**

**Minister for Welfare Reform**



Robin Walker MP  
Member of Parliament for Worcester  
House of Commons  
London  
SW1A 0AA

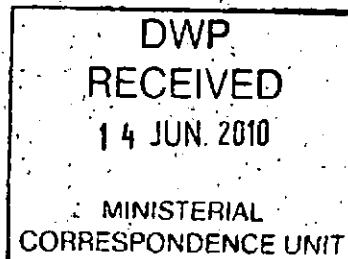
Rt Hon Iain Duncan Smith MP  
Secretary of State for Work and Pensions  
Department for Work and Pensions  
Caxton House  
Tothill Street  
London SW1H 9DA

02 June 2010

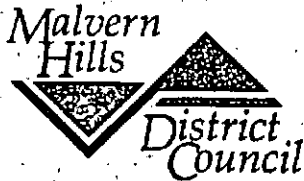
Dear Ian

Please find enclosed a letter I have received from my local council. I would appreciate your taking account of the view of local councils across South Worcestershire and I would be very grateful for your comments on the issues they have raised.

With best wishes,



LONDON OFFICE      CONSTITUENCY OFFICE  
Telephone: 020 7219 7196      Telephone: 01905 24058  
Email address: [robin.walker.mp@parliament.uk](mailto:robin.walker.mp@parliament.uk)



Date: 20<sup>th</sup> May 2010

Mr Peter Luff MP  
MP for Mid-Worcestershire  
House of Commons  
London  
SW1A 0AA

Dear Mr. Luff,

**Housing Benefit Administration Subsidy 2010/11**

I write further to the letter dated 26<sup>th</sup> January 2010 sent to you by Nick Jefferies, Head of the South Worcestershire Joint Services for Revenues & Benefits covering the three District Councils in South Worcestershire, namely Wychavon, Worcester City, Malvern Hills District.

The letter expressed our concerns with respect to the amount of additional Administration Subsidy Grant awarded to the South Worcestershire Revenues and Benefits Shared Service for 2010/11.

In our view the method of allocating the grant for 2010/11 is prejudicial to the South Worcestershire Shared Service, the details of which can be found overleaf.

Neither the Part 1 nor Part 2 methodology takes account of backlogs of cases. Backlogs reflect increased demand more accurately than actual work done. Increased demand on an efficient authority already working at capacity will not see an increase in work done, but will see an increase in backlogs.

The methodology takes no account of specific circumstances, for example our implementation of a new IT system during the monitoring period.

In South Worcestershire we are concerned that the amounts of additional Administration Subsidy Grant we have been awarded are insufficient to deal with the additional workloads in the coming year. Our own data monitoring indicates that demand is continuing to rise month on month and this has been the case since early in 2009. This will place additional strain on a service already struggling to maintain levels of service to residents in South Worcestershire.

We would like the opportunity to meet and present our case to Minister for Work and Pensions in the Coalition Government the Right Honourable Iain Duncan Smith MP and wonder if you would be agreeable to facilitating such a meeting on our behalf?

Yours sincerely

**Ralph Madden**

**Chairman of the South Worcestershire Shared Services Joint Committee**

Cc: Mr Robin Walker MP for Worcester

South Worcestershire Revenues & Benefits Shared Services  
Civic Centre, Queen Elizabeth Drive, Pershore, Worcs WR10 1PT

Our specific concerns over the methodology used are as follows;

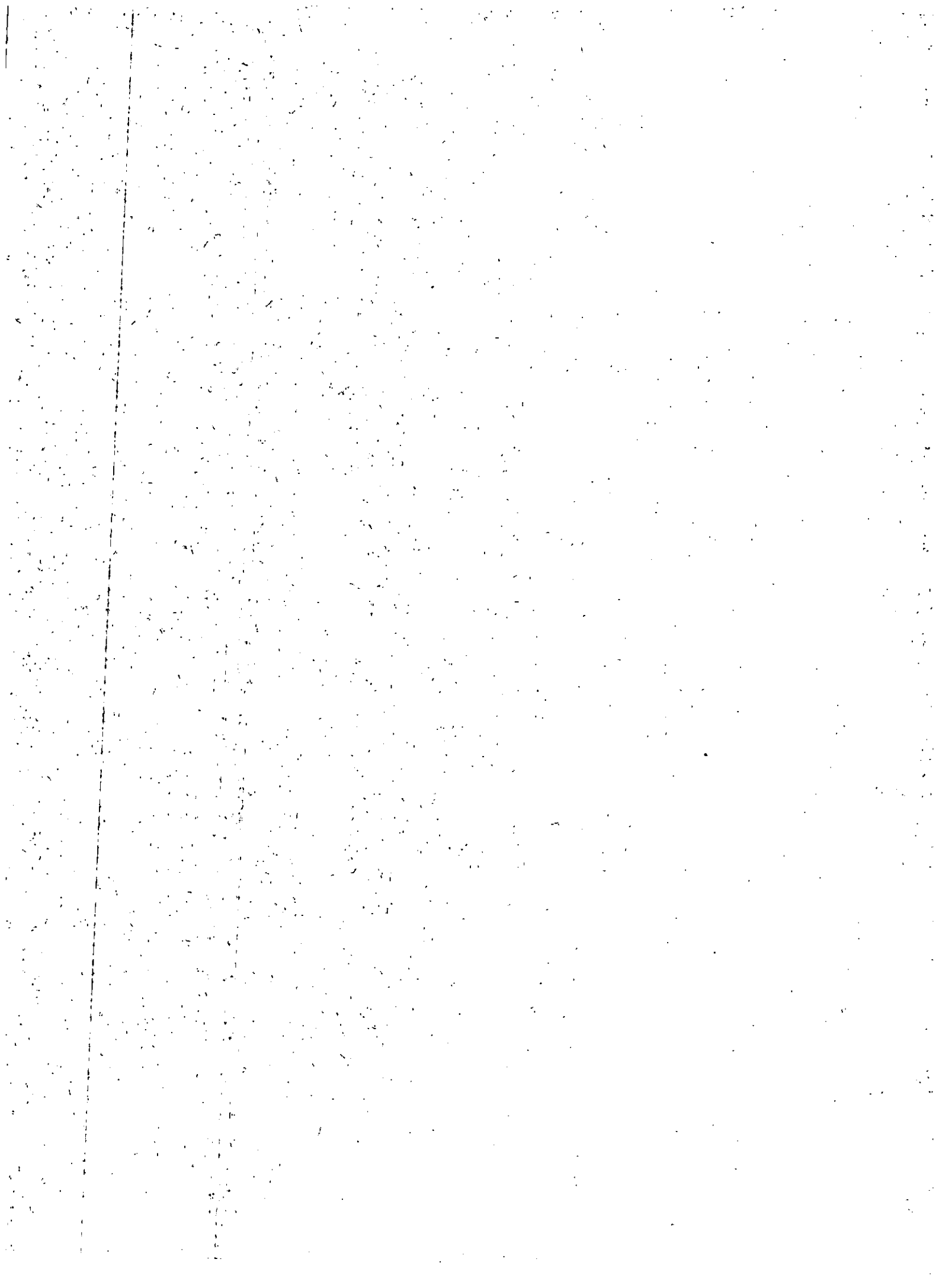
- a. The Part 2 methodology does not take account of the specific circumstances at the Shared Service between June – August 2009 and accordingly under-assesses the growth in workload;
- b. The choice of short, 3 month periods for assessing the change in workload in the Part 2 methodology results in anomalous results, illustrated by the Gloucester DC and Wyre Forest DC figures. This results in an unfair increase in funding to some Councils and an unfair decrease in funding to other Councils;
- c. The methodology does not take into account backlogs of cases, and therefore cannot assess the increased workload for local authorities already working at capacity.
- d. The Part 1 additional subsidy is calculated by assessing the increase in workload between November 2006 and October 2007 compared to the period between November 2008 and August 2009. This appears to be a relatively sensible approach to assess the longer term increase in work volumes.
- e. The Part 2 additional subsidy is calculated by assessing the increase in workload between the period of November 2008 to January 2009 and the period of June 2009 to August 2009. As a method to assess the more recent, short term, effects of the recession, and its impact on workloads, this approach is unfair. The Gloucester and Wyre Forest District Council examples illustrate that some Councils are unfairly advantaged, and it is clear that the Shared Service is unfairly disadvantaged.

Since 2<sup>nd</sup> July 2007, Wychavon District Council, Malvern Hills District Council and Worcester City Council embarked on a ground breaking combined revenue and benefits service. This new Shared Service was introduced in order to achieve efficiencies in line with central government demands and has been successful at achieving these efficiency gains, but required substantial investment in a new IT system in order to do so.

The new IT system was introduced in 2009. Between June and August 2009, 70% of staff in the Shared Service were retrained and learning to work on the new system. During that period there was a reduction in the number of cases that could be processed and a rise in the number of cases received. As a result a large backlog of cases developed.

The use of short, 3 month periods for comparison of workloads in the Part 2 methodology is unrepresentative:

- i. The Part 2 methodology assumes that the workload in the period of June – August 2009 is representative of the overall caseload at the Shared Service at that time of the year, but this is plainly not the case because of the implementation of the IT system in June – August 2009. In fact, in June – August 2009 a large backlog of cases was building, and the increase in workload for the Shared Service over the year has been substantial.
- ii. In Gloucester and Wyre Forest District Councils, the figures for Nov 08 – Jan 09 appear to be unusually low, but are offset by the unusually high figures for Jan – Feb 09. However, because these high figures for Jan – Feb 09 are not considered in the DWP calculation, this has a distorting effect when compared with the figures for Jun – Aug 09 and suggests a change in workload that far exceeds the overall reality.





**DWP** Department for  
Work and Pensions

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Our ref: POS(4)11154/1

Robin Walker MP  
House of Commons  
London  
SW1A 0AA

3 June 2010

*Dear Robin*

Thank you for your letter of 2 June to Iain Duncan Smith on behalf of Mr Ralph Madden, Chairman of the South Worcestershire Shared Service Joint Committee regarding the allocation of additional administration subsidy for Housing Benefit and Council Tax Benefit to South Worcestershire.

The Department consulted the Local Authorities' Associations about how to allocate the additional administration subsidy. The allocation was based on the most reliable evidence we had at the time of the amount of additional work local authorities had to do.

As Mr Madden knows, it did not take the level of backlogs, and specific circumstances of individual local authorities into account. Doing so would have meant collecting more data from local authorities, increasing the complexity and reducing the transparency of the funding formula, delaying the distribution of funding, and introducing a large element of subjectivity into the decision. For example, it is not clear on what basis we would decide whether a local authority's backlog was because it was working at capacity or because it was inefficient, or how to take specific circumstances into account in a way that was fair to all local authorities.

The additional administration subsidy has been allocated for 2010/11. I regret that the state of public finances means there is no further funding available for this year. My officials remain available to talk to South Worcestershire further about the details of the subsidy allocation.

I appreciate this may be a disappointing reply but I hope it clarifies the position.

On a personal note, I would like to offer you my condolences on the recent passing of your father.

*Yours sincerely,*

*David*

**Lord Freud**

**Minister for Welfare Reform**





City of Westminster

COUNCILLOR PHILIPPA ROE  
CABINET MEMBER FOR HOUSING  
WESTMINSTER CITY COUNCIL

Tel: (020) 7641 2799

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The Right Honourable Iain Duncan Smith MP  
Secretary of State for Work and Pensions  
Caxton House  
Tothill Street  
London  
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PO
Key Word: <i>RC</i>

DWP  
RECEIVED  
28 June 2010  
MINISTERIAL  
CORRESPONDENCE UNIT

May 2010

Dear Secretary of State,

**Housing Benefit for Temporary Accommodation**

Firstly, on behalf of Westminster City Council I would like to congratulate on your recent appointment as Secretary of State for Work and Pensions. You will hopefully have also received an invitation from the Leader of the Council to meet us and see the progress made in tackling unemployment through our Westminster Works programme.

What I am writing to you about today though concerns the change, announced by your predecessor, to the housing benefit subsidy for temporary accommodation.

As you are no doubt aware, the capping of the subsidy in central London at £500 per week, which was previously due to be calculated at 90% of the Local Housing Allowance for the area plus £40 per week management fee, was only formally made public on the day that the new system came into effect.

We strongly believe that the current housing benefit system, in particular the Local Housing Allowance, rewards worklessness, is unfair and unacceptably expensive to the taxpayer. In particular, we have frequently stated our opposition to the existing Local Housing Allowance which has a top rate of £1,800 per week in Westminster and allows more than 1,000 families in Westminster to receive in excess of £500 per week – a rate which is beyond the reach of more than 90% of the population.

However, the timing of the cap announcement for the subsidy for temporary accommodation not only created a two tier system but also did not allow Westminster City Council sufficient time to take the change into account when setting our budgets.

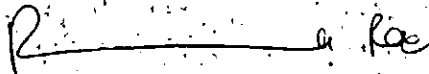
As a result of this, we are locked into contracts for temporary accommodation providers and estimate a net loss of £1.35m this financial year on housing residents in temporary accommodation due to the timing of the announcement.

In the longer terms we will be reviewing our temporary accommodation provision and not replacing a number of the existing contracts as they fall away.

I am therefore writing to ask that you consider awarding discretionary transitional relief for this year's shortfall on account of the timing of your predecessor's announcement. It is unfair that Westminster City Council should have to bear this additional cost having previously budgeted for a system which had been over 18 months in the planning.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Roe', written over a horizontal line.

**Councillor Philippa Roe**  
**Cabinet Member for Housing**



**DWP** Department for  
Work and Pensions

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Our ref: POS(4)4026/353

Councillor Philippa Roe  
Cabinet Member for Housing  
Westminster City Council  
Westminster City Hall  
64 Victoria Street  
SW1E 6QP

15 June 2010

*Dear Philippa*

Thank you for your recent letter regarding Housing Benefit subsidy for people living in temporary accommodation.

You also mention an invitation from Mr Colin Barrow. The Secretary of State looks forward to receiving Mr Barrow's invitation to see the progress being made to tackle unemployment through the Westminster Works programme.

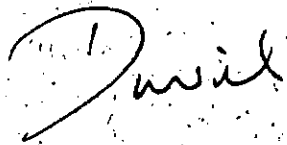
I agree that some Local Housing Allowance (LHA) rates, particularly in central parts of London, are unacceptably high. We are currently looking at ways of reforming Local Housing Allowance and the Housing Benefit system more generally to make it fairer and more sustainable. This will eventually remove some of the disparity between the highest LHA rates and maximum subsidy levels for people in temporary accommodation.

I note the recent changes to Housing Benefit subsidy for people in temporary accommodation. The timing of the introduction of the upper cap limits of £375 and £500 was no doubt difficult for local authorities administratively and will have impacted on budget forecasts for the year. You have asked for discretionary transitional relief on cases adversely affected by the late announcement. However, I am pleased to say that a process for this has already been put in place, which should help to mitigate some of your projected losses.

The Department will consider exemptions from the upper cap limits based on certain criteria being met in each individual case. For example, an exemption may be granted but only where the local authority can demonstrate its leasing costs are at a level equal to or above the appropriate upper cap less £40. The full criteria and details of how local authorities can apply for exemptions from the upper caps are available in the attached circulars.

I hope you find this helpful.

*Yours sincerely,*

A handwritten signature in cursive script that reads "David".

**Lord Freud**

**Minister for Welfare Reform**



City of Westminster

PS(4) 4026/0404

COUNCILLOR PHILIPPA ROE  
CABINET MEMBER FOR HOUSING  
WESTMINSTER CITY COUNCIL

Tel: (020) 7641 2799

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The Rt. Hon Grant Shapps MP  
Minister of State for Housing and Local Government  
Department for Communities and Local Government  
Eland House  
Bressenden Place  
London SW1E 5DU

27 September 2010

Dear Grant

Re: Housing Benefit Reform

I write to you further to the recent survey and press release from London Councils as well as the article in the Financial Times, warning that up to 82,000 households across London could be made homeless as a result of the reforms announced in the Emergency Budget.

The City Council is in full support of the Government's position despite having the largest number of households (in excess of 5,000) due to be affected by the caps, as we recognise the need to reduce the national housing benefit bill, limit the worst excesses experienced in central London and deliver a system which is fairer to the majority of working households.

As a result we do not subscribe to the findings of the London Councils' report, particularly given we believe it likely that there will be some reduction in private sector rents arising from the caps. We also believe that the caps will not lead to hot spots of poverty as there are likely to still be substantial amounts of private sector property available for households affected by the caps. Furthermore the London Councils' report has been undertaken before the regulations are laid down and is based on only a 4% return from around 6,500 landlords.

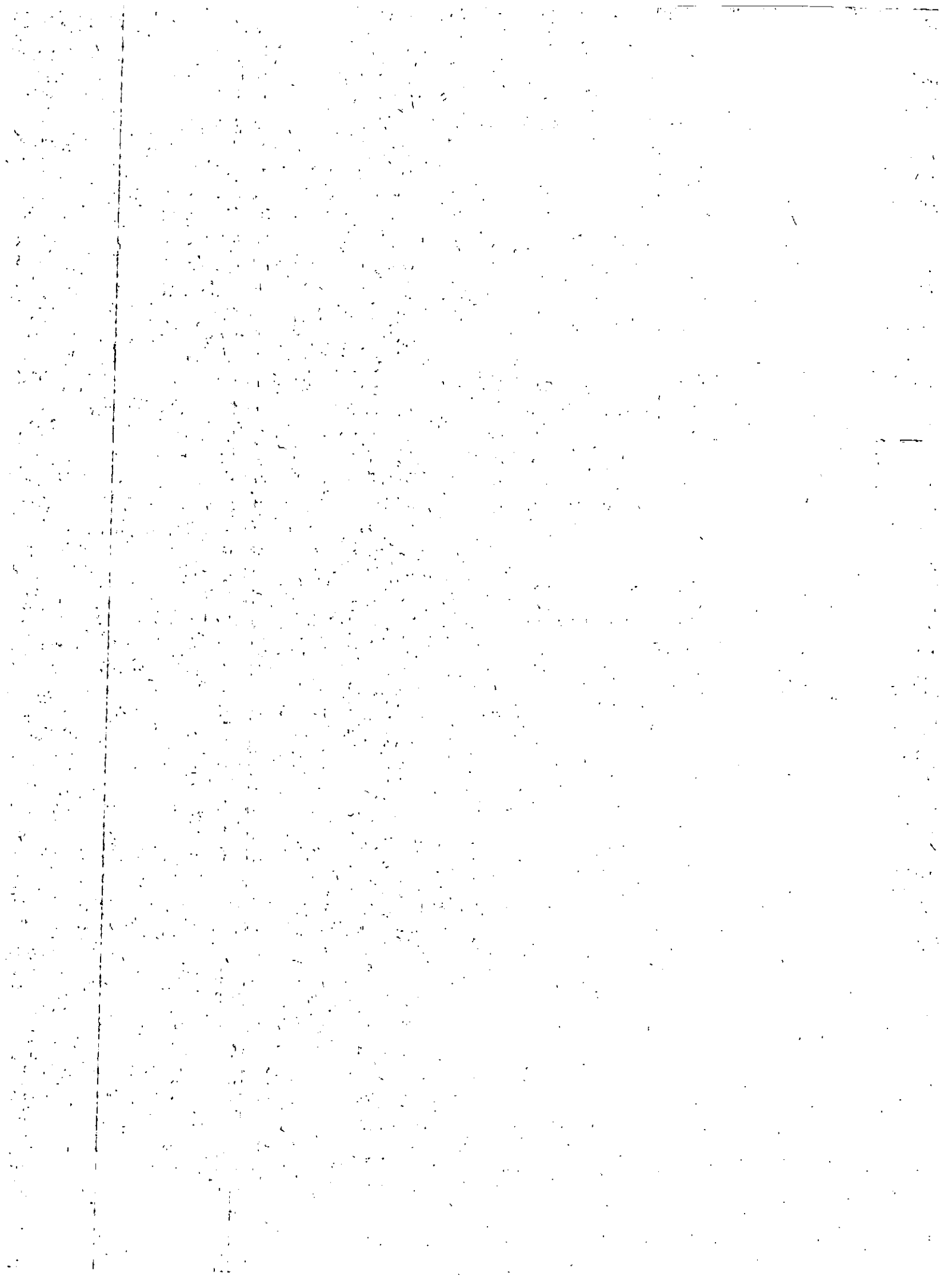
I have therefore written to the Financial Times once more restating our support for the changes. In order to mitigate against the lobbying taking place in opposition to the reforms, I would also particularly welcome a statement from yourself and Lord Freud on behalf of the Government re-emphasising the need to reform and restrict the existing system.

I look forward to hearing from you.

Yours sincerely,

COUNCILLOR PHILIPPA ROE  
CABINET MEMBER FOR HOUSING

Cc: ~~Lord Freud, Minister for Welfare Reform~~





**DWP** Department for  
Work and Pensions

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Our ref: POS(4)4026/404

Councillor Philippa Roe  
Cabinet Member for Housing  
Westminster City Council  
Westminster City Hall  
64 Victoria Street  
SW1E 6QP

13 October 2010

*Dear Philippa,*

As you may be aware, your letter of 27 September to Minister of State at the Department for Communities and Local Government regarding the London Councils' report on the capping of Local Housing Allowance rates has been passed to this Department for reply.

I welcome your support for the action we are taking to curb excessive amounts of Housing Benefit being paid to people living in central London. Clearly, it is unreasonable to allow our customers to enter into rental agreements that people earning a reasonable wage would not be able to consider.

Although I acknowledge your concerns about the London Councils' report findings, we are acting decisively to reduce Local Housing Allowance rates generally, and to cap the very highest rates. We are also taking steps to restrain the growth of Local Housing Allowance rates in future. In areas where rents rise faster than inflation, there should be no presumption that Housing Benefit will simply pick up the bill.

We want to ensure that people continue to have access to decent housing but the support we provide needs to be founded on principles of fairness, affordability and making work pay. Above all, we want to help people escape the benefit system altogether.

When people live in properties with very high rents, they need to earn well above the average income in order to escape the benefit system.

We believe that worklessness and benefit dependency are detrimental not only for the people who are getting benefits but also within communities and in our society generally. In our Coalition Agreement we made a promise that we would encourage a strong, fair and responsible society. We will support and protect the poorest and most vulnerable but we will also respect the investment that taxpayers make and spend that money wisely.

*Yours sincerely*

*David*

**Lord Freud  
Minister for Welfare Reform**