

**SOUTH EAST ENGLAND COUNCILS  
ALL-MEMBER PLENARY MEETING**



Date: 19 November 2010

Subject: **Impact of Housing Benefit Caps on the South East**

Report by: Heather Bolton, SEEC Head of Communications  
& Public Affairs

**Recommendations:**

SEEC members are asked to:

- i) Discuss the likely impact of housing benefit changes on South East councils.
- ii) Consider whether make representations to Government to mitigate the expected impact of changes, for example calling for:
  - additional transition funding
  - greater allocation of transition funding in high cost areas
  - a system to stagger introduction of proposals to reduce the impact and/ or change proposals to limit the economic, social and financial impact on South East councils.

**1. Introduction**

1.1 The Government's Spending Review announcement on 20 October, included plans to change the system of housing benefits.

1.2 Changes taking place from April 2011 include removal of the system that allows tenants to keep excess housing benefit up to £15 per week. Absolute caps will also be introduced so that Local Housing Allowance (LHA) weekly rates in any area cannot exceed:

- £250 for a one bedroom property
- £290 for a two bedroom property
- £340 for a three bedroom property
- £400 for a four-bedroom property.

From October 2011 the Government plans to reduce all Local Housing Allowance rates so that 3 in 10 rental properties in an area should be affordable to people on Housing Benefit, rather than the current 5 in 10 properties.

1.3 Further proposals include:

- A change in the way increases to LHA are calculated, linking them to the Consumer Prices Index rather than the Retail Prices Index. CPI has traditionally risen more slowly than RPI.
- A 10% cut in housing benefit for the long-term unemployed (more than 12 months on Job Seekers Allowance).
- CLG is proposing an additional £10m nationally for councils from its homelessness budget to help transition to the new system. Current allocations are some £60m.

## **2. Impact on the South East**

- 2.1 These changes are expected to have a significant impact on the South East, both socially and economically. It is expected that the changes will drive tenants away from expensive areas of London and the South East towards cheaper areas such as our coastal towns. This relocation could lead to:
- Inability to fill lower paid jobs in economically-strong but high cost areas. Nationally 279,000 housing benefit claimants are working, a further 570,000 housing benefit claimants are on Job Seekers Allowance.
  - An influx of poorer households to economically-challenged areas such as Margate and Hastings where job prospects are already limited. This could increase unemployment, exacerbate regeneration challenges and increase the South East's need for limited public investment such as the Regional Growth Fund.
  - A polarisation of South East residents according to wealth and a greater concentration of deprivation in poorer areas of the South East.
  - An increase in the already high numbers of people living in deprived areas of the South East. Already some 500,000 South East residents live in areas ranked among the 20% most deprived in the country.
  - An increase in homelessness and overcrowding.
- 2.2 The scale of the impact on the South East is not yet clear but figures from organisations such as London local authorities and the Chartered Institute of Housing give an initial indication of likely effects.
- 2.3 Research and a landlord survey by London Councils shows that 82,000 households – over 250,000 people – across the capital may be displaced. They estimate approximately 15,000 London tenants may risk losing their home following the April caps, with a further 67,000 at risk of eviction, or not having their tenancy renewed when the new 3 in 10 rule comes into force. As yet, there is no indication of how many of these may look to move to the South East.
- 2.4 Looking further ahead London Councils estimate 159,370 households across London will face a reduction in the LHA they receive by October 2013. The Greater London Authority estimates that the number of homeless households and households placed in temporary accommodation across London could increase by 4,865 by March 2012. Again, it is not yet clear how many of these households would be looking to relocate to the South East.
- 2.5 Analysis from the Chartered Institute of Housing highlights some areas of the South East where housing benefit changes will put all homes out of reach of private sector tenants receiving LHA. For example:
- in Ashford all 2-bed properties will be out of reach within 10 years.
  - in Newbury all 3 bedroom properties will be out of reach in 8.5 years.
  - in Eastbourne all 4 bedroom properties will be out of reach in 6 years.

- 2.6 The Institute also estimates that losses are so large from the LHA cap for 4 bedroom homes that homelessness is almost inevitable. The average weekly losses from the caps for four and five bedroom properties are £90 and £63 (national figures, excluding central London). Over time, they also predict a reduction in the 30% of properties available to LHA tenants as linking LHA rates to CPI rather than RPI are unlikely to keep pace with rent inflation.

12 November 2010