



HOUSING BENEFIT REFORM: SUPPORTING PEOPLE INTO WORK

HOMELESS LINK'S RESPONSE

ABOUT US

Homeless Link is the only national charity supporting people and organisations working directly with homeless people in England. We represent 500 homelessness organisations among local, regional and national government. As the national collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and to advocate policy change. Through this work, we aim to end homelessness in England.

Homeless Link's member agencies include many that work directly with people on the streets, in hostels, in supported and temporary accommodation.

INTRODUCTION

In this response, we refer to 'our client' group. These are the clients of our member organisations, largely homelessness charities who work with homeless people. They are mainly local community based organisations providing direct support to homeless people through hostels, day centres, outreach and resettlement agencies, housing advice centres, youth projects, health projects, welfare rights groups, refuges, drug and alcohol services and faith run voluntary services.

This response will focus mainly on the Transition to Work Payment, Fixed period awards, and Direct Payments. It also contains comments on general Housing Benefit administration, criteria for Broad Rental Market Areas and some comments on the long term future of HB and general Housing Benefit administration. We respond to questions 1-4, 13-15. Key messages are **highlighted in bold** throughout the response.

We have formulated our response in discussion with our members and incorporating the results of an on-line survey of our members. 28 of our members responded to a survey and 9 attended a consultation meeting on Housing Benefit reform.

If you would like to discuss any aspect of this response in more detail, please contact Alice Evans, Head of Policy Analysis, at Homeless Link, alice.evans@homelesslink.org.uk or 020 7840 4421.

KEY POINTS

We welcome the opportunity to respond to this consultation and to contribute to proposals to simplify and improve the Housing Benefit system.

- We are pleased that government recognises the need to reform the benefits system to remove the barriers that deter people from entering the labour market and sustaining employment. We believe that sustainable lifestyles should be a goal for people who are or have been homeless and that stability of income, employment and housing is central to this.
- We welcome the proposed introduction of a Transition to Work Payment. We hope this will remove much of the uncertainty that a move into employment currently brings to our client group, many of whom lack the financial resources to be able to navigate periods of financial instability.
- We also welcome the proposals for a move to six month fixed award periods as a means of simplifying benefits administration and creating stability. We have some concerns around the detail of how this will work, particularly for people whose income fluctuates or who find themselves in and out of work frequently. The reform of Housing Benefit provides an opportunity for the system to be improved to assist with homelessness prevention. If sufficient safeguards are built into the design of the reformed benefit, the new system could bring improvements and assist with this aim.

TRANSITION INTO WORK PAYMENTS

Question 1:

Do you agree a transition into Work Payment will help ease the move into work?

We agree that a Transition into Work (TWP) payment will help ease the move into work, particularly for homeless people, who are often the furthest from the labour market. A three month period is sufficient to create a period of stability without creating dependence, but clients will need to be prepared for the subsequent move to Housing Benefit (HB) assessed on income.

A TWP would act as an incentive to get people to enter the job market. Three months full Housing Benefit would provide a buffer, allowing time for first wages to come in, initial work related expenses to be absorbed and adjusted to, tax codes to be sorted out and on-going expenses established and so on. For people who have been homeless, and are furthest away from the labour market, leaving the security of established benefits could be seen as a risk. The three month proposal could provide a major incentive, offering a period of stability during which the risk of rent arrears would be minimised.

Here are just a couple of the comments in support of TWP made by our members:

“It would help hostel clients to adjust to a new routine without the added stress and worry about how they would be able to manage the transition easily.”

“It will enable people to get their finances straight without worrying about falling behind with rent and losing their housing. People need a couple of pay packets to get control of their money.”

However, our members feel that there would be a second transition when the Transition to Work Payment ends and thought needs to be given about how to manage this to ensure the risks are minimised. The scheme would need to be clearly explained and illustrated, with information provided on rights and responsibilities. It is essential that administration of the follow-on HB claim is timely and efficient to continue the support to our client group.

Question 2

What would be the main features of such a scheme to secure maximum impact and minimise risk?

To ensure maximum impact and minimal risk, the main features of the scheme should include:

- **maximum benefit entitlement for the three month payment**
- **no minimum period of unemployment as a condition of eligibility**
- **no barriers to repeat claims**
- **no scope for the creation and later recovery of overpayments**
- **a smooth transition to the follow-on Housing Benefit claim, with no need for a separate claim for follow-on Housing Benefit**

Main features of the scheme

Stability of housing is an important component in enabling people to access employment. OSW's report 'No home, no job' looked at the experiences of single homeless people in temporary accommodation who had accessed employment services. 24% of respondents reported that the main barrier to finding employment was housing issues such as a lack of suitable accommodation or hostel costs¹.

Rent arrears are a major cause of homelessness. It is important that people who have had a history of homelessness are supported with their housing costs so that they do not enter a cycle of repeat homelessness. The administration of any Housing Benefit system should, at a minimum, support people's ability to pay rent and maintain their tenancies successfully. If the new agenda is to also support people into work, and to show that work pays, it will need to be structured carefully to ensure that working is a sustainable option.

To fully support people moving from benefits to work, the level of HB entitlement during the 3 month TWP period should be the maximum payment at the out of work rate. This would minimise the risk of rent arrears accruing due to any delays in earned income being received or as a result of any fluctuations in income during this period. It would also give an opportunity to reduce debts or plan for the future reduction of debt.

No minimum period of conditionality: Most of our members felt that there should be no minimum period of unemployment before entitlement to TWP begins. Having a minimum qualifying period would create a barrier to people starting work and could act as a perverse incentive to remaining unemployed.

¹ OSW (2005) 'No home, no job, moving on from transitional spaces' - <http://www.equalworks.org/resources/contentfiles/5638.pdf>

Our members commented:

“The process would be clearer and simpler if everyone has the same entitlement. It will also encourage people to get straight back to work if they can be entitled to a payment.”

“By putting a timeframe on it, you are actually encouraging people to wait to get a job so that they would qualify for this.”

A few felt a qualifying period of one month would be appropriate:

“Transition is easier if only unemployed for a short period as longer term unemployed have a greater challenge to adjust to the work environment after a long time away.”

Only two members felt a qualifying period of 6 months was appropriate, fearing that claimants would work for 3 months, then be unemployed for the length of the qualifying period before re-entering the labour market again.

If a qualifying period of more than 6 months is introduced for TWP, the Extended Payment of Housing Benefit Scheme should be retained. This current provision allows for one month's run on of full Housing Benefit for people who have been claiming certain benefits for 26 weeks before starting work.

Conditionality, if introduced, should be based on the level of income: If any conditionality is introduced, it should be around the level of income received. If income is achieved above a certain level, HB entitlement should cease. This would deal with perceptions of fairness of the scheme and ensure that resources are directed to those who need them most. Such a provision is also unlikely to impact adversely on our client group.

We welcome the proposal to limit the changes in circumstances that could affect entitlement to or the calculation of the TWP. It is important to our client group that the structure of the TWP does not allow the creation or recovery of overpayments of Housing Benefit. Overpayments create budgeting problems for people on low incomes, can lead to major financial hardship, pose a risk to housing security through the creation of debt and act as a disincentive to work.

Quick reassessment at the end of the three month period: We also welcome proposals for a quick re-assessment of Housing Benefit entitlement at the end of the three month period with the aim of maintaining continuity of benefit. This transition presents a possible risk to our client group, with the risk of rent arrears accruing if a prompt assessment is not made and notified. Our client group will need to be supported with clear information on responsibilities and expectations of what is needed to enable the fast processing of the follow on claim. It will help if, for example, proof of income is requested for the first two months so that the move to the follow on claim can be made smoothly at the end of the three month period. It is important clear information is made available on the likely future award of Housing Benefit so that individuals can plan for the change.

There will need to be clear rules and provision for people who are in and out of work within the three month period. If employment ends within the three month period, a seamless return to HB for benefits claimants should be made and there should be no bar to repeat claims of TWPs if further employment is found.

FIXED PERIOD AWARDS

Question 3

Should we introduce fixed period Housing Benefit awards for those customers in work?

We agree that the system needs to be simplified and that fixed period awards may achieve this. The new system should be designed so that it creates stability for people on low incomes and removes barriers to people moving into and staying in employment.

There were mixed views from our members on the proposal for fixed rate awards of Housing Benefit. Some welcome simplification while others are concerned that confusion could result:

“Chaotic clients need stability so making the HB stable helps in that process.”

“Claimants could lose out on their entitlement and financially struggle. They could find the system even more confusing than now, and it could lead to overpayments and recovery of this would cause great hardship and concern.”

“Potential reliance on an unsustainable higher benefit level and lack of understanding of likely benefits payments for future awards.”

The move away from benefit entitlement based on a weekly entitlement that reflects many possible changes in circumstances is a big change. However, we believe that improvements to the benefits system overall can only be achieved through simplifying the system. Handled well, simplification should result in improved administration, less bureaucracy and lowered administration costs. People claiming benefits should have a clearer understanding of their rights, entitlements and obligations. Implemented well, there should be less scope for disputed entitlement and the stress and instability this causes to people's lives.

The new system will need to be carefully designed to minimise the risk of rent arrears as result of instability of income for our client group. Clear and simple information and advice will be needed to help all Housing Benefit claimants adjust to the idea of six month assessment periods. Funding levels within the new system may need to be more generous to ensure that any shortfalls between Housing Benefit entitlement and rent payable are genuinely affordable and fundable from income from low earnings.

Question 4

What would be the main feature of such a scheme to secure maximum impact while avoiding any perverse incentives and minimizing risk to those whose income falls significantly?

To ensure maximum impact and minimal risk, the main features of the scheme should include:

- **Simplicity of design: this is essential for client understanding and ease of administration.**
- **Benefit rates that ensure affordability**

- **Scope for re-assessment of HB for the fixed period if income decreases. This is essential as a measure to minimise the risk of rent arrears and to prevent homelessness.**
- **No or minimal scope for reassessment of HB if income increases during the six month period (subject to rules for high earnings), so administration of overpayments is cut and HB claimants don't have to pay back overpayments.**
- **Continuity of benefit while changes in circumstances are considered**
- **Provision for continuity of HB entitlement if individuals move out of work**
- **Effective communication of the new scheme**

We have outlined our reasons for supporting the simplification of the system in our answer to question 3 above. To minimise the risk of rent arrears, potential eviction and repeat homelessness and reduce barriers to work for our client group, it is essential that there should be scope for the re-assessment of HB for the fixed period if income goes down. When people are living on low incomes, a minimal change to income can cause hardship. In assessing the amount of change that triggers a re-assessment, there will be a need to balance the risk of hardship to the individuals concerned against.

If HB is re-assessed as a result of a decrease in income, there are a number of potential models for the new re-assessed claim:

- It could result in a new 6 month period starting
- It could be for the time remaining in the existing 6 month period
- or income could be averaged over the whole six month period.

For our client group, the cost/benefits should be analysed for each scenario. The option that minimises the risk of rent arrears will be preferable, as repeat homelessness is the biggest risk to our clients sustaining work. We would oppose any scenario that would lead to the potential creation or recovery of overpayments for the reasons outlined in the answer to Question 2 above.

Continuity of HB payments is of great importance to people on low incomes. It is important that minor changes in circumstances and income do not interrupt payments. HB claims should not be stopped while changes in circumstances such as a reduction in income are processed.

We would recommend that most increases in income during the six month period are ignored. Reassessment at the new income level will occur in any event at the end of the period. If income levels eventually increase to a point where there is no ongoing entitlement to Housing Benefit, the scheme will have achieved the outcome of successfully easing the transition to work of the individuals concerned. However, to enable resources to be targeted towards people in need, there should be provision for a move into very high paid employment to trigger disentanglement to HB. Any such earnings limit should be set at a level that would not affect homelessness clients or deter them from continuing to work or progressing to higher paid work.

Building on the successes of the In and Out of Work Project, we would suggest that if an individual's employment ends, any subsequent claim for JSA should automatically be treated as a claim for HB. There should continue to be provision for the backdating of benefits to protect the HB entitlement of our client group in the event of gaps between employment ending and claims for benefits being made.

SETTING APPROPRIATE HOUSING BENEFIT AREAS

Question 9

How should we set appropriate Housing Benefit areas?

Finding a way to set fair and affordable Housing Benefit rates presents a number of problems. Ideally, the range of property available to tenants needs to be affordable whether an individual is in work or claiming benefits, with Housing Benefit providing support to people on low incomes where needed. Research by Crisis² raised a number of concerns about the operation of the LHA. This includes a concern that landlords may raise the level of their rents to the level of the LHA. The careful setting of Broad Rental Market Areas and rent levels within them is of great importance in ensuring the availability of appropriate housing, but also ensuring that HB levels are set at a rate which does not cause shortfalls between benefit paid and rent due that are unaffordable and result in hardship

Issues affecting the setting of the boundaries of the areas in which LHA is paid vary from area to area: rural areas will face a different set of issues to urban areas, and areas with a mix of the two may encounter issues as a result. We asked our members for their views and obtained a range of responses to what the boundaries of the areas should be and what criteria should be considered:

“Smaller areas - council wards ideally. LHA is obviously not calculated on local rents; there is NO private rent here that is as low as the LHA. In London accessibility is not that relevant; most services are in walking distance.”

“Local authority areas, it simplifies the administration.”

“Whether the area is an area of deprivation; whether the area is an area where there are low employment opportunities.”

We suggest that the setting of the boundaries of areas needs to be decided at a central level, with consultation at the local level, and needs to take account of local issues. One model may not work across the country.

Most importantly, the level of LHA that is set for each area should be sufficient to enable a reasonable supply of affordable housing to be available in each area.

“One of the largest barriers to my clients sustaining housing, when moving into employment, is the disproportionate amount private landlords are allowed to charge the council, once they have been vetted by the council. Example being that landlords set their rent at the maximum rate at which the Housing Benefit is capped. This means a studio flat can be £650 through the council, when it would be £350 on the private market, making it impossible for clients moving into lower paid employment to keep a roof over their head.”

² Crisis (April 2009) Local Housing Allowance: One Year On

ENSURING QUALITY OF ACCOMMODATION

Question 9

Should Housing Benefit be conditional on properties meeting certain standards?

No – this would limit the supply of accommodation for our client group. Other incentives should be found for ensuring quality.

Local authorities and charities have been working in recent years to expand housing supply in the private rented sector (PRS) for low income households, and people who are homeless or threatened with homelessness. The PRS sector has become a source of move-on accommodation for single homeless people re-housed from hostels and supported accommodation. The need for these schemes has been predicated on the lack of supply of this type of housing and a need to work with landlords to overcome their reluctance to let to our client group. The issue of capacity was considered in the Centre for Housing Policy report “The Private Rented Sector: its contribution and potential”,³ which said:

“Landlords can be very reluctant to deal with households in receipt of Housing Benefit, and as a consequence there is a substantial amount of unmet need for accommodation in the housing benefit sub-market of the PRS.”

Our members echoed this concern. They felt that lack of supply and choice is a major issue for our client group, that there is a need to ensure the supply of PRS accommodation for HB tenants. To achieve this, landlord incentives are needed and disincentives should be minimised. In this context, proposals to tie HB entitlement to quality standards are seen by many of our members as a disincentive to landlords to let to our client group.

Other more appropriate methods are currently being considered by Communities and Local Government to improve standards and we feel that this is the best way to proceed.

SAFEGUARDING VULNERABLE CLIENTS

Additional comment: Direct payments to landlords

Direct payments to landlords should be a choice available to any Housing Benefit claimant, but particularly for vulnerable people. Minimising the risk of rent arrears and repeat homelessness should be the priority for people who have been homeless. Direct payments for landlords housing vulnerable people should continue to an option under safeguarding procedures.

Many of the clients of our member organisations rely on the private rented sector as a source of housing, particularly when moving on from hostel or supported accommodation. Hostels, day centres for the homeless and supported accommodation environments all work to try to build the independent living skills of the vulnerable people they assist. Many

³ Executive summary: “The Private Rented Sector: its contribution and potential” - Centre for Housing Policy 2008

work with individuals who have or are trying to overcome substance abuse problems. A great many have debt problems. Our Survey of Needs and Provision Report identified debt, benefits, drugs and alcohol as the problems most frequently affecting the clients of an average homelessness project.⁴ Our members have raised as a concern that many of the people they assist have difficulty obtaining and managing bank accounts and debts.

It is vitally important that all Housing Benefit claimants have the option of having their HB paid direct to their landlord if they wish. Direct Payments should be seen as enhancing choice for our clients. Individuals should be free to make this choice to assist with their budgeting. Not having this option causes rent arrears, instability in housing, and a risk to obtaining and sustaining employment.

A member provided this response to our survey:

“LHA doesn't work very well, I would reintroduce the old system where people could choose whether or not to have the payments made to the landlord. Government states the idea of LHA is to empower people, but how can that be the case when it has actually taken choice away?”

Some formerly homeless people will continue to need the protection to housing stability that results from direct payments to landlords under safeguarding procedures. It is imperative that the one financial obligation that can result in the difference between having a home and sleeping on the streets is paid. Some vulnerable people will always prioritise their debts to money lenders, drug suppliers or betting shops over and above their payments to their landlords. Their journey into employment will never be allowed to begin if they cannot keep a roof over their head.

LONG TERM – A UNIFIED SYSTEM

We asked our members their views on a unified benefits system. They were divided firmly into two groups, one in favour and one against. Those in favour considered a unified system a good long term aim that could result in a simplified benefit system. Those against felt that the system at present does not work well enough, and is not ready for this step. Concern was also expressed about centralisation of services away from local authorities leading to poor benefit take up.

If a long term objective of a unified benefit system is to be achieved, the improvements in Housing Benefit administration over recent years will need to be continued. A consistency in quality and speed of administration across all HB authorities needs to be achieved, so that homelessness does not occur as a result of HB delays or administrative failure. An investment in high quality administration should result in greater stability and choice for tenants, a decrease in pressure on advice and legal services, a decrease in homelessness applications and an associated reduction in overall costs.

A complicating feature of the current HB system is the administration of overpayments. Recovery of overpayment causes hardship for our clients. In the context of the proposed six month fixed periods, the recovery of overpayments from previous periods may cause hardship, rent arrears and homelessness.

4 Homeless Link – Survey of Needs and Provision (SNAP) Report 2009 p64-65

OTHER COMMENTS: YOUNG HOMELESS PEOPLE

A number of our members raised the shared room rate (SSR) as a major problem for people aged under 25, particularly in areas where the shared room rate is insufficient to obtain any accommodation. Some members suggested that full HB for a flat should be available to all young people aged over 18. A shared room rate that reflects the actual cost of this type of accommodation and an inclusion of rates for studios and bedsits in the calculations may go some way to help. SSR rent levels, as with LHA, need to be reviewed appropriately within areas to ensure that a supply of suitable housing is available. The SSR impacts seriously on homeless young people, who are often unable to secure appropriate accommodation at all and for whom entering the labour market and sustaining work becomes a goal that is out of reach.

OTHER COMMENTS: AFFORDABILITY AND THE TAPERS

For many single homeless people, the system acts as a disincentive for them to move into work and independent accommodation. The 'taper' or withdrawal rate for HB is set too high, so that for every pound earned HB is reduced by 65 pence. This can discourage people from moving into work or into higher paid employment. The Centre for Social Justice has argued that there is a pressing need to reform the benefits system and, in particular, the high withdrawal rates of benefits when people move into work.

"The current welfare arrangements in the UK actively discourage many of those in extreme poverty from getting back into work....The is no sense of fairness in the way that benefits are withdrawn when in work."⁵

CONCLUSION

We are pleased that the government is actively working towards removing barriers to work within the benefits system. It is of vital importance to homeless and formerly homeless people that the benefits system operates in a way that both protects their ability to retain housing, and supports them when out of work, when in work and in managing the transition.

We support the introduction of a Transition to Work Payment of Housing Benefit. We urge the government to minimise any conditionality attached to this benefit, to maximise the benefits of encouraging more people into the labour market and away from benefit dependency.

We support the simplification of Housing Benefit through fixed period awards, provided that the new system includes sufficient safeguards to avoid rent arrears accruing due to any reduction in income or other changes in circumstances. We urge the government to allow all tenants the option of having their Housing Benefit paid direct to landlords and for safeguarding procedures to be retained for vulnerable people.

Homeless Link represents a wide range of organisations in the homelessness sector. We would be pleased to link inspectorates up with local homelessness organisations, groups or forums. If you would like to discuss any aspect of this response in more detail, please contact Alice Evans at Homeless Link Alice.Evans@homelesslink.org.uk.

⁵ Centre for Social Justice (2009) Dynamic Benefits: Towards Welfare that Works, a policy report by the CSJ Economic Dependency Working Group, p101.