



HOMELESS LINK'S EVIDENCE: SOCIAL SECURITY ADVISORY COMMITTEE PUBLIC CONSULTATION ON THE HOUSING BENEFIT (AMENDMENT) REGULATIONS 2010

EXECUTIVE SUMMARY

This submission is from Homeless Link, the national umbrella organisation for frontline homelessness charities in England.

We recognise the necessity of housing benefit reform, including initiatives to promote government expenditure savings, and eliminate inefficiency, error and fraud from the system. We support moves to improve how housing benefit, other benefits and tax support the journey into work and prevent homelessness, as called for in our 2010 manifesto.ⁱ However, many of the proposed changes to the Housing Benefit (Amendment) Regulations 2010 pose serious risks to:

- the wellbeing of people who are homeless, or at risk of homelessness
- the sustainability of homelessness organisations, which in turn will undermine the support offered to homeless people and other vulnerable groups

It is also highly doubtful that the changes will lead to governmental savings in the medium- or long-term, though this may promote savings for the DWP in the short-term. The evidence available suggests that the changes will lead to greater levels of debt and homelessness, with impacts on emergency accommodation, health services, other benefit uptake and economic activity creating greater strain on government spending. While other coalition initiatives to improve availability of, and access into work might alleviate this effectⁱⁱ, the evidence for this argument is lacking, particularly as the expected cuts in civil and public service jobs is likely to increase pressure on the job market.ⁱⁱⁱ

Amongst other recommendations, we propose that:

- there should be provisions for the most vulnerable people, including homeless people, to be exempt from some of the proposed housing benefit changes.
- there needs to be a commitment and comprehensive strategy from the coalition to look at long-term solutions to housing issues beyond housing benefit reform.

Homeless Link is the national umbrella organisation for frontline homelessness charities in England. Currently we have more than 470 member organisations. Our members include hostels, day centres, outreach and resettlement agencies, housing advice centres, youth projects, health projects, welfare rights groups, regional homelessness networks, refuges, drug and alcohol services and faith run voluntary services. As the collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and to advocate for policy change. Through this work, we aim to end homelessness in England.

HOMELESS LINK'S EVIDENCE

1. Introduction

1.1 Homeless Link contends that the changes due to be made to the Housing Benefit (Amendment) Regulations 2010 are likely to lead to:

- a significant increase in evictions and homelessness
- increased financial pressure on accommodation services, likely to mean that many will fold
- increased service uptake of other homelessness services

1.2 We outline our evidence below on each of the proposed changes to the Housing Benefit (Amendment) Regulations 2010 (and the Rent Officers (Housing Benefit Functions) Amendment Order 2010). We also offer recommendations for the Advisory Committee's consideration. Examples from our member agencies are included in text boxes.

1.3 We have also submitted evidence to the Work and Pensions Select Committee inquiry on the changes to housing benefit.^{iv} Some of our material is repeated here, but we have restricted this response only to the areas of interest outlined by the Social Security Advisory Committee.

2. Local Housing Allowance levels to be restricted to the 4 bedroom rate

2.1 We are concerned the removal of the 5-bedroom cap will increase pressure on larger families to live in cramped or otherwise unsuitable accommodation. Given the concerns raised following the previous government's decision to cap LHA to 5 bedrooms^v, it is highly likely that this additional change will worsen the situation for many families in receipt of LHA, with possible similar disproportionate impact on ethnic minority households, and more certain implications on child poverty.^{vi}

2.2 This reinforces our impression that this further restriction will create a "perverse incentive for families to separate and subsequently place a further burden on local authorities to provide more than one home for a single family unit" (as previously expressed by the Social Security Advisory Committee in response to earlier changes).^{vii}

3. The £15 weekly excess provision currently payable within the Local Housing Allowance rules to be removed.

3.1 The removal of the £15 weekly excess is likely to have a serious impact on many claimants' ability to pay their rents and escape destitution.

3.2 There have been a number of recent reports highlighting that some unemployed housing benefit claimants are able to live in properties beyond the reach of most people with employment.^{viii} However, in reality housing benefit is insufficient for most claimants' needs. As outlined by Crisis' excellent briefing on housing benefit changes, 48% of people on Local Housing Allowance (LHA) experience a shortfall between their rent and benefit, with the average shortfall being £23/week.^{ix}

4 As such, claimants are very exposed to even small changes to housing benefit. Crisis' Housing Benefit Survey 2010 outlines that even a £15 reduction in LHA would have a significant effect: 90% of housing advisors "said a £15 reduction in LHA would make more difficult for claimants to cover their rent, with 54% saying it would make it nearly

impossible”.^x In addition, almost half of local housing allowance claimants already have shortfalls of almost £100 a month.^{xi}

4.1 This is particularly pertinent to the planned removal of the £15 excess, which would lower incomes by this amount.

4. The size criteria will be adjusted to provide for an additional bedroom for a nonresident carer where a disabled customer has an established need for overnight care.

4.1 Whilst much of our analysis of the proposed changes is critical, we welcome the changes to housing benefit which will entitle claimants with a disability and a non-resident carer to funding for an extra bedroom. We feel that this will help support potentially vulnerable people more effectively, as well as in some cases be part of a transition into work, alternative accommodation and off housing benefit altogether.

5. Local Housing Allowance to be set at the 30th percentile of rents in each Broad Rental Market Area, rather than the median.

and

A new upper limit to be introduced for each property size, with upper limits set at:

- **£250 a week for a 1 bedroom property**
- **£290 a week for a 2 bedroom property**
- **£340 a week for a 3 bedroom property**
- **£400 a week for a 4 bedroom property or larger.**

5.1 Homeless Link considers that these cuts will worsen the ability of people on low incomes to pay for both public and private rented accommodation. Because of a lack of availability and eligibility in the case of social housing, there has been increasing use of the private rented sector (PRS). However, people on housing benefit trying to find accommodation in the PRS face a lack of affordability^{xii} and a lack of willingness of landlords to accept individuals in receipt of housing benefit.^{xiii} Indeed, the reduction of LHA rates to the 30th percentile of local rents and application of LHA caps is likely to price many claimants out of the PRS.^{xiv}

5.2 A likely result will be that many homeless people remain stuck in supported accommodation for longer than they need to be and prevent access to this support for those most in need. In addition, this is “likely to lead to increasing rent arrears and tensions between landlords and tenants, probably with the long term effect of further reducing the supply of properties that landlords are willing to rent to housing benefit claimants.”^{xv}

5.3 The discretionary housing payments changes proposed have relevance to this point. However, it is estimated that if the additional £40 million for discretionary housing payment proposed was spent solely on making up shortfall in rents, this would only support 4% of claimants facing the drop in LHA from the 50th to the 30th percentile for one year.^{xvi}

5.4 Homeless Link is clear that any cuts in LHA will have also an immediate impact on accommodation and related support providers. Many registered providers, including many homeless services, receive over 60% of their income from LHA. With these changes, the removal of Supporting People funding ring-fencing (as well as potential further cuts)^{xvii} and VAT increases from January 2011, many providers, including homelessness services offering accommodation may face insolvency.

5.5 Any increase in homeless people is likely to mean greater pressure on advice and support services. This may entail an increase in 'fire-fighting' by these services with a larger group of homeless individuals, with less accommodation options available.

5.6 These cuts, along with other proposed changes to Housing Benefit (Amendment) Regulations 2010 are also likely to impact on particularly vulnerable groups, such as LGBT individuals at risk of homelessness:

"Such changes may deter some LGBT people from fleeing domestic abuse or harassment or they may accept less affordable, more crowded and more insecure accommodation as an alternative. This is a poor short-term solution that may fail and cost the public sector more in the long-term if tenancies fail sooner and more LGBT people become homeless or they need to access more social, primary care and mental health services." (Stonewall Housing)

5.7 Homeless Link anticipates that the housing benefit changes are likely to alter communities, both by movement between, and within, local authority areas. Many people will be forced to move to lower rent areas, with "an impact on the areas that they move to, potentially putting a strain on those local authorities (including on homelessness budgets)."^{xviii}

5.8 The displacement effect of these changes is also likely to dramatically alter the character and make-up of communities within local authority areas. For example, Camden Council predicts that the south of the borough will no longer be a viable place for housing benefit claimants to live, forcing many out of neighbourhoods and long-standing communities.^{xix} While the LHA caps are likely to have the greatest impact in London, these changes have the potential to concentrate deprivation on in particular areas, most likely the outskirts of cities^{xx}, with more likelihood of creating no-go, ghettoised areas of poor quality housing.

"We operate services in areas where many of the rental charges fall into the percentile area where caps would operate. Our concern is that this will force our clients to opt for less appropriate housing options and increase issues such as overcrowding / a return to 'slum dwellings'" (BCHA)

6. Displacement of costs

6.1 It is important to add another overall point relating to the amendments to the Housing Benefit (Amendment) Regulations Act 2010, as well as other changes to housing benefit outlined by the Emergency Budget in June 2010. Vivaly, Homeless Link is doubtful that changes to housing benefit will save money for public services and the government in the long run. **The changes are likely to cost considerably more than they save.** This undermines one of the core aims of the Emergency Budget, and the further austerity measures to be unveiled in October's Comprehensive Spending Review.

6.2 Let us take the example of the cuts to housing benefit following claimants receiving JSA for over a year. The June 2010 Budget outlined that this measure will save **£100 million** in 2013/14, rising to **£110m** by 2014/15, relative to maintaining the current system.^{xxi}

6.3 We present a very basic analysis with two separate sets of statistics:

- the National Housing Federation estimates that **202,000** people are at risk of being made homeless purely as a result of the benefit cut of 10%.^{xxii}

- research by the New Economics Foundation (nef) indicated an annual cost to the state of £26,000 for each single homeless person.^{xxiii} However, the estimate from nef included the cost of benefits at 31% of the £26,000 figure.^{xxiv} Many of the people who might be made homeless will be on benefits already. In addressing the additional costs to health, social care, and loss of tax income through reduced economic input, we chose to exclude that element to ensure we are not 'double-counting' benefits (despite the fact that many people will not be drawing benefits before becoming homeless). Using the nef figures, that would be **£16,640** per person.

6.4 If we are to accept these figures, this would suggest that 202,000 more (single) homeless people would entail a **£3.4 billion** cost to the state annually. This would be a **net £3.3bn cost** to the state rather than a saving, as a result of this specific change in 2013/14.

Moreover, the total saving of all housing benefit reforms is outlined as **£1.76bn** in 2014/15, and a total of **£4.2bn** over 2010-11 to 2014-15.^{xxv} Even if only half the 202,000 people 'at risk of homelessness' actually became homeless in 2013/14 through the 10% cut, this would still cost the state an estimated **£1.7bn** annually, without even taking into the account the likely negative effects of all other changes on homelessness levels.

6.5 We must stress that this analysis makes a number of assumptions, and must not be considered as a comprehensive economic appraisal of the costs. However, allowing for these assumptions, this presents a very serious potential economic and social impact of just one of the changes to housing benefit.

6.6 Shelter has also produced independent research with the University of Cambridge, specifically outlining the additional costs to local councils of the anticipated increase in homelessness (though not the other wider costs that may have to be met by health, etc.). Shelter's research argues that local councils, and by extension the state overall, "face costs of up to £120 million a year providing temporary accommodation such as hostels or bed and breakfasts." This would "cancel out a fifth of the £600 million the Treasury has said it will save from the cuts in 2012".^{xxvi}

6.7 We do not ignore or reject the need to improve housing benefit, to increase work incentives, or ensure that benefits are commensurate with need, but the changes as proposed are likely to do serious lasting damage to public welfare, economic growth and potentially long-term state deficit reduction plans overall. These changes are likely to cost significantly more than they save.

7. Some solutions

7.1 Amongst other potential solutions, Homeless Link recommends a number of initiatives to ensure the potential negative socio-economic impacts of these changes are minimised:

- **Consideration of exemptions for most vulnerable people**, including homeless people and particularly those with multiple needs, from the proposed Housing Benefit changes. We understand that the DWP is already considering a list of exemptions to some of these changes. We appreciate that exemptions add to the complexity of the administration of housing benefit, but in light of the evidence above, and barring a fundamental alteration to the changes proposed, we feel that exemptions would be vital to avoid serious additional harm to these vulnerable groups. However, looking longer term, we would suggest there is scope for examining how any savings from DWP expenditure might be used to improve benefit withdrawal tapers and entitlement to 'in-work' benefits, as discussed by the '21st Century Welfare' consultation.^{xxvii}

- **Consideration of exemptions for supported accommodation providers** from the proposed 10% cuts in housing benefit after one year on JSA. Given the vital role providers of supported accommodation play in alleviating homelessness and saving spending overall^{xxviii}, this makes economic sense, as well as providing a vital source of support for thousands of people in the UK. We recognise the argument that this may offer impediments to moves from supported to private sector housing. However, as above, the potential impact of the housing benefit changes are likely to be so significant that without a wide rethink of the proposals, the negative impacts on people who are homeless will need to be alleviated. We feel that this recommendation offers a reasonable, though temporary option for doing so, in lieu of such a rethink.
- **Set LHA rates at a percentile in each area that reflects the proportion of tenants receiving the benefit.** As outlined by BSHR, this is likely to ensure significant savings in public expenditure while avoiding “the most intolerable pressures on local housing markets.”^{xxix}
- **Ensuring that all claimants are informed of impending changes by letter or email.** It is vital to give due notice to people who may be affected so they can begin the process of adjustment or housing move now.^{xxx}
- **A commitment and comprehensive strategy from the coalition government to look at long-term solutions to housing issues**, including expansion of social housing and the increased renovation and use of empty homes. For example, the British Property Federation has outlined that renovating some of the 762,000 empty properties in England could address the pressures on social housing while costing only 10 per cent of the equivalent cost of building new houses.^{xxxi}

We would be happy to discuss any elements outlined in this submission with the Social Security Advisory Committee at their convenience.

Drew Lindon

Head of Policy Analysis

drew.lindon@homelesslink.org.uk

020 7840 4421 | 07956 396072 | Homeless Link, Gateway House, Milverton Street, London, SE11 4AP.

www.homeless.org.uk | [www.twitter.com/homelesslink](https://twitter.com/homelesslink)

ⁱ Homeless Link (2010) *Ending Homelessness Together: 10 steps, 10 years, 1 ambition*. Available at <http://www.homeless.org.uk/ten-key-challenges>

ⁱⁱ BBC News (2010) ‘Nick Clegg slams ‘partial’ IFS report on Budget’, 25th August. Available at: <http://www.bbc.co.uk/news/business-11086137>

ⁱⁱⁱ BBC News (2010) ‘Huge job cuts for public sector’, 16th June. Available at: <http://news.bbc.co.uk/1/hi/business/8102121.stm>

^{iv} Homeless Link (2010) *Homeless Link’s Evidence for the Work and Pensions Select Committee Inquiry on impact of the changes to Housing Benefit*. Available at: http://www.homeless.org.uk/closed-consultations#Housing_Benefit

^v Work and Pensions Committee (2010) *Fifth Report: Local Housing Allowance*, Points 149- 150.

Available at: <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmworpen/235/23510.htm>

^{vi} Shelter and University of Cambridge (2010) *How will changes to Local Housing Allowance affect low-income tenants in private rented housing?*, p.4. Available from: <http://www.shelter.org.uk>

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- vii Social Security Advisory Committee (2009) *Report on The Housing Benefit Amendment Regulations 2009 (S.I. 2009 No. 614)*. p.6. Available at: <http://www.official-documents.gov.uk/document/cm75/7571/7571.pdf>
- viii Hastings, C. et al (2010) 'Somali asylum seeker family given £2m house...after complaining 5-bed London home was "in poor area"', *Daily Mail newspaper*, 10th July 2010. Available at: <http://www.dailymail.co.uk/news/article-1293730/Somali-asylum-seeker-family-given-2m-house--complaining-5-bed-London-home-poor-area.html>
- ix Crisis (2010) *Crisis Policy Briefing: Housing Benefit Cuts*, p.2. Available at: <http://www.crisis.org.uk/publications-search.php?fullitem=274>.
- x Ibid., p.8.
- xi Shelter (2010) *London households could be pushed over the edge by cuts to housing benefit*, press release, 5th July 2010. Available at: <http://media.shelter.org.uk/Press-releases/London-households-could-be-pushed-over-the-edge-by-cuts-to-housing-benefit-310.aspx>
- xii Landlords tend to set their rent at the maximum rate at which the Housing Benefit is capped, as outlined in Homeless Link (2010) *Housing Benefit Reform – supporting people into work consultation response*, p.7. Available at: http://homeless.org.uk/closed-consultations#Housing_Benefit_Reform_February_2010
- xiii Crisis (2010) *Crisis Policy Briefing: Housing Benefit Cuts*, p.3. Available at: <http://www.crisis.org.uk/data/files/publications/1003%20Housing%20Benefit%20FINAL.pdf>, also British and Social Housing Foundation (2010) *Housing Benefit and the Emergency Budget of June 2010*, p.8. Available at: <http://www.bshf.org/news-events/news-detail.cfm?lang=00&theNewsItemID=9245E777-15C5-F4C0-99C4D6A6E0898191>
- xiv British property federation (2010) *Inquiry into the impact of the changes to housing benefit announced in the June 2010 Budget evidence*, p.5. Available from: <http://www.bpf.org.uk>
- xv British and Social Housing Foundation (2010) *Housing Benefit and the Emergency Budget of June 2010*, p.16. Available at: <http://www.bshf.org/news-events/news-detail.cfm?lang=00&theNewsItemID=9245E777-15C5-F4C0-99C4D6A6E0898191>
- xvi Hansard (2010) 13 July 2010: Column 218WH. Available at: <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100713/halltext/100713h0002.htm>
- xvii See Rameesh, R. (2010) 'Treasury plans will cut off 400,000 of society's most vulnerable', *Guardian newspaper*, 20th August 2010. Available at: <http://www.guardian.co.uk/society/2010/aug/20/housing-vulnerable-people>
- xviii British and Social Housing Foundation (2010) *Housing Benefit and the Emergency Budget of June 2010*, p.10. Available at: <http://www.bshf.org/news-events/news-detail.cfm?lang=00&theNewsItemID=9245E777-15C5-F4C0-99C4D6A6E0898191>
- xix Brown, C. (2010) 'Benefit reform to split London borough', *Inside Housing*. Available at: <http://www.insidehousing.co.uk/news/housing-management/benefit-reform-to-split-london-borough/6511308.article>
- xx Shelter and University of Cambridge (2010) *How will changes to Local Housing Allowance affect low-income tenants in private rented housing?*, p.10. Available from: <http://www.shelter.org.uk>
- xxi HM Treasury (2010) *Budget 2010 complete document*, p.40. Available at: http://www.hm-treasury.gov.uk/junebudget_documents.htm
- xxii National Housing Federation (2010) *Housing benefit cuts put 200,000 at risk of homelessness, campaign group warns*, press release, 5th July 2010. Available at: <http://www.housing.org.uk/default.aspx?tabid=212&mid=828&ctl=Details&ArticleID=3046>. Shelter and the University of Cambridge's recent research also offers a figure on the impact of all the housing benefit changes on tenant households, rather than single homeless people: "between 136,000 and 269,000 tenant households will find themselves in severe difficulty, and finding it very hard or impossible to keep out of rent arrears or other debt." See Shelter and University of Cambridge (2010) *How will changes to Local Housing Allowance affect low-income tenants in private rented housing?*, p.17. Available from: <http://www.shelter.org.uk>
- xxiii New Economics Foundation (2009) *Work it out – barriers to employment for homeless people*, p. 47. Available at: <http://www.bitc.org.uk/resources/publications/homelessness.html>. Comparable estimates

for the cost to the state of single homeless people have also been provided by MEAM (<http://www.meam.org.uk/wp-content/uploads/2009/09/MEAM-report.pdf>) and the New Policy Institute (http://www.crisis.org.uk/data/files/publications/HowManyHowMuch_full.pdf).

^{xxiv} New Economics Foundation (2009) *Work it out – barriers to employment for homeless people*, p. 36. Available at: <http://www.bitc.org.uk/resources/publications/homelessness.html>

^{xxv} HM Treasury (2010) *Budget 2010 complete document*, p.40. Available at: http://www.hm-treasury.gov.uk/junebudget_documents.htm

^{xxvi} Shelter (2010) *Cuts to local housing allowance will cost £120 million a year due to rising homelessness*. Available at: http://media.shelter.org.uk/Press-releases/Cuts-to-local-housing-allowance-will-cost-120-million-a-year-due-to-rising-homelessness-33f.aspx#_ftn1

^{xxvii} See <http://www.dwp.gov.uk/consultations/2010/21st-century-welfare/>

^{xxviii} See Capgemini for Communities and Local Government (2008) *Research into the financial benefits of the Supporting People programme*. Available at:

<http://www.communities.gov.uk/documents/housing/pdf/spprogramme.pdf>

^{xxix} British and Social Housing Foundation (2010) *Housing Benefit and the Emergency Budget of June 2010*, p.10. Available at: <http://www.bshf.org/news-events/news-detail.cfm?lang=00&theNewsItemID=9245E777-15C5-F4C0-99C4D6A6E0898191>

^{xxx} *ibid.*, p.12.

^{xxxi} British Property Federation (2010) *Britain's 'shameful waste' as 1 million homes lie empty*, press release, 4th August. Available at: http://www.bpf.org.uk/en/newsroom/press_release/PR5310_Britains_shameful_waste_as_1_million_homes_lie_empty.php