



Law Centre (NI)

**DWP Consultation:  
Supporting people into work: the next stage of  
Housing Benefit reform**

**Housing Rights Service & Law Centre (NI)  
response**

**February 2010**

## 1.0 Introduction

Housing Rights Service and Law Centre NI are pleased to provide comments to the Department for Social Development in relation to the Department for Work and Pensions consultation "Supporting people into work: the next stages of Housing Benefit reform." Our comments focus mainly on specific Northern Ireland issues in terms of the relationship between housing and housing benefit locally.

Established in 1964, Housing Rights Service has 45 years experience of providing legal advice and representation to people in Northern Ireland with housing problems. We also assist frontline agencies and housing/legal professionals to meet the housing advice needs of people who contact them through training, legal information and advice consultancy. A significant proportion of our housing advice work concentrates on dealing with issues relating to Housing Benefit. Consequently, we have built up considerable expertise in this area. This, coupled with a client centred approach to our work, enables Housing Rights Service to provide comment on current issues and potential policy solutions for the sector.

Law Centre (NI) is a public interest law non-governmental organisation. We work to promote social justice and provide specialist legal services to advice organisations and disadvantaged individuals through our advice line and our casework services from our two regional offices in Northern Ireland. It provides a specialist legal service (advice, representation, training, information and policy comment) in five areas of law: social security, mental health, immigration, community care and employment. Law Centre services are provided to over 450 member agencies in Northern Ireland.

The DWP consultation includes proposed measures which they would like to implement quite quickly as well as those which it hopes to deliver as part of the long-term reform of the benefit system. Some of the proposals set out general reform principles and the precise impact of reform will depend on more detailed

design and implementation considerations. In particular, this is the case for the long-term direction of reforms.

We will begin by commenting on the more immediate term proposals relating to Local Housing Allowance (LHA). In particular, we will highlight the ongoing negative impacts that have been experienced by certain client groups locally and will put forward suggestions about how these might be tackled.

We will then go on to consider those proposed measures which DWP hopes to deliver as part of their long-term reform of the benefit system.

## **2.0 Context**

In December 2008 the Government announced a commitment to seek views on changes to Housing Benefit (in Welfare Reform White Paper Raising expectations and increasing support: reforming welfare for the future). This followed a review of Housing Benefit which was conducted internally and jointly by Treasury and the Department for Work and Pensions (DWP). DWP launched the Housing Benefit consultation: Supporting people into work: the next stage of Housing Benefit reform on 15 December 2009. According to the Department for Social Development, the consultation sets out how Housing Benefit will be reformed to deliver a simpler and fairer system of housing support which pays a fair rate of benefit to claimants while also protecting the taxpayer.

As part of this reform agenda we believe it will be important for the Department for Social Development to consider the following local strategic issues:

- The absence of a review into the implementation and impact of LHA locally;
- The differences between Housing Benefit in Great Britain and Northern Ireland;

- Northern Ireland presents particular circumstances with regards to welfare and arrangements to move people into employment; and
- The capacity of the employment market.

At the onset we think it is not possible to divorce Housing Benefit reform from housing policy in general. In effect, unless there is significant expenditure on new social housing and subsidy to keep social housing rents below market levels then decent, affordable housing will continue to be beyond the reach of many working households leaving people to rely solely on the private rented sector and having no choice but to pay market rent levels. This is currently being reflected in DSD policy. Under proposals for the new Housing Bill the Private Rented Sector is being explored as an accommodation option for full duty applicant and perhaps other housing lists applicants. In our view this accommodation is more suitable for single people with no support needs and therefore LHA, in particular the Shared Rate, would need to be more scientifically calculated.

We will highlight a number of areas of concerns in relation to the proposals within the consultation document. (For ease of reference the appropriate paragraph from the document is in brackets.)

### **3.0 Local Housing Allowance General Comments**

The LHA scheme came into force in April 2008 in Northern Ireland and there has not yet been a formal assessment of the scheme. LHA introduced a new way of calculating Housing Benefit for the majority of tenants in the private rented sector. The overall experience of LHA has generally been positive, particularly in light of the Northern Ireland Executive's decision not to introduce direct payments to tenants. This decision has avoided a lot of the problems being experienced in Great Britain.

We are disappointed that there still has been no research into the impact and implementation of Local Housing Allowance locally and must point out that without this it is difficult to comment on whether there is a need to reform the scheme. To get an accurate assessment of the situation research would need to be commissioned. The following observations are therefore based on the experience of Housing Rights Service clients in receipt of housing benefit for private rented accommodation.

### **3.1 Observations**

- Generally LHA has had a positive impact on claimants it has allowed for more choice and flexibility for claimants and allowed claimants to shop around for better value in comparison to the Local Reference Rent system, although there are still claimants experiencing shortfalls.
- The impact of the NI Assembly's decision not to introduce direct payments to tenants (as is the case in Britain) has been very positive and as a result the associated problems being experienced in Britain have been avoided locally.
- The impact of the Shared Rate on single people under 25 has been negative. According to the Housing Executive approximately 60% of LHA claimants who experience shortfalls are under 25.
- Single people over 25 who want to share accommodation can also face shortfalls as they are only entitled to the Shared Rate.
- Claimants with a disability can no longer get extra financial assistance where there is a need, for example, for an extra room to enable a carer to stay over or for storing special equipment which is a negative impact. This is having a negative impact on a small but significant number of clients.

### **3.2 Affordability Issues**

Affordability in the private rented sector remains a problem for Housing Rights Service's clients. Our experience shows that in most cases the shortfall level has reduced and the impact of LHA is therefore beneficial. Nonetheless, most of our clients still have shortfalls. The group who has experienced the largest shortfalls is single people under 25. In our view, this group is much worse off under the LHA in comparison to the Local Reference Rent system. We have major concerns about the reductions being applied to the Shared Rate. What is most concerning is that these reductions can apply even where accommodation is secured, after 52 weeks a claimant's rate will be adjusted to match the current Shared Rate. This can cause serious hardship and even homelessness. Essentially the Shared Rate entitlement may reduce but the rent does not. This should not be the case.

The Shared Rate is causing major problems for Housing Rights Service and other agencies working to secure accommodation for single young people. We work closely with Smart Move (access scheme) to get young people accommodated in shared housing. However, it is becoming increasingly impossible to find landlords who are willing to let a room for the Shared Rate in North Belfast. As a result, very few single people under 25 can now be housed through this scheme. In our view the Shared Rate is not accurately reflecting market rents, is not assisting homeless young people, and needs reviewed urgently.

We also have serious concerns about how the Shared Rate is being set. We are aware that there is an over representation of south Belfast rents in the sample of rents used to calculate the Shared Rate. We acknowledge that this is mainly due to difficulties with accessing evidence for, in particular North Belfast. This has meant that the Shared Rate is significantly influenced by rent levels for shared rooms in south Belfast where these rents are low. In light of this, we urge the application of a more scientific approach to setting the Shared Rate whereby quotas could be used to ensure a balanced sample of rents are collated for each of the districts. In terms of collating North Belfast rents we point to the growth in

schemes such as Smart Move and recommend that it is accessed as a source of evidence for Shared rents in North Belfast. Smart Move is extending to cover other areas in NI and therefore should be utilised as an evidence source for market rents.

## **4 Proposals for Immediate Change – Reforming LHA**

### **4.1 Fair benefit rates and clear benefit areas (5.3-5.16)**

In terms of the proposals relating to LHA reform DWP is concerned that Housing Benefit expenditure is rising. It has concluded that higher rents are distorting the system. To address this DWP propose various options including; removing the most expensive properties from the LHA rate calculation; reviewing Broad Rental Market Areas (BRMAs); setting rates within smaller areas; and examining how Housing Benefit and non Housing Benefit properties are taken into account when calculating LHA.

We are concerned by the lack of evidence in regard to these proposals. First, we are unaware of any evidence that higher rents are driving up LHA rates locally. We believe that this problem is probably more relevant to central London. We do not therefore support the introduction of this proposal in Northern Ireland. In terms of reviewing the BRMA we are not convinced that this will necessarily change the situation. We do, however, believe that the Shared Rate is being skewed because of BRMAs but feel this could be addressed without changing the BRMA. We suggest a thorough analysis of how LHA rates are set. This would provide a better understanding of how the shared rate is calculated. In particular, the sample of rents that are included in the calculation and how reflective they are of the entire BRMA.

We are aware that Housing Benefit properties are taken into account locally when calculating LHA rates. However, we do not know the extent of this. We highlight the need for a balanced approach to this whereby Housing Benefit properties are not over represented in the sample which could result in a skew. While we are

aware of difficulties in collating a representative sample from market rents we would have serious concerns if Housing Benefit properties were being included to address this.

#### **4.2 Fairer Size Criteria (5.19-5.22)**

DWP is concerned that the current size criteria do not allow for additional pressures that some families face such as:

- the needs of disabled people to have space for a carer to stay overnight, or
- the needs of single parents who have shared custody of children.

DWP is therefore proposing to:

- Adjust the LHA size criteria by raising the age at which a young person qualifies for a separate bedroom from 16 to 18.
- Use the money saved to e.g.
  - provide for an extra bedroom where there is an established need for a non-resident carer; and / or
  - provide for an extra bedroom to help parents who need to care for non-resident children if there is evidence that working households can do so.

We do not object to this in principle provided the money saved will be ring fenced to ensure its availability to other vulnerable claimants. We must highlight that the inclusion of a proposal to provide extra space if required by a disabled claimant is acknowledgement that this problem exists for LHA claimants. Therefore, we recommend that the size criteria should be amended immediately to address this recognised anomaly.

In terms of providing for an extra bedroom for non resident parents we support this measure. Many parents are denied access to children because of restricted space. The DWP has taken into account the size criteria in social housing as it relates to a

young persons entitlement to a separate room for same gender young persons from 16 to 18. We would like to highlight another anomaly between the two tenures in Northern Ireland in terms of housing support. A non resident parent with access to children qualifies for additional points under the common selection scheme. In the interests of consistency LHA should also allow for extra space requirements for non resident parents with access to children.

## 5.0 Proposals for a Long-Term Vision for Housing Benefit

### 5.1 Easing the Transition into Work (4.6-4.10)

DWP recognises that the transitional period into work, where wages may fluctuate or be uncertain, is the most difficult one for many claimants to cope with. To address this the DWP consider that this transitional period is one where they need to give people greater certainty and want to make sure that Housing Benefit provides it. DWP is therefore proposing to replace existing arrangements with a Transition into Work payment, this will involve the following:

- Fixing Housing Benefit entitlement for three months at the rate in payment immediately before the claimants moved into work.
- Ignoring most changes in circumstances, including changes in the amount of wages received.
- Reviewing the customers' circumstances under the usual entitlement rules at the end of three months.

We view the three month extension of this as a positive step and believe that all Housing Benefit claimants returning to work should qualify for the Transition into Work payment. However, we recommend that reviews into entitlement should be undertaken during the three months as opposed to at the end of three months. This will help to avoid delays that can occur in processing Housing Benefit assessments.

The requirement for changes in circumstances to be reported has always been problematic for both Housing Benefit claimants and administrators locally. In our experience Housing Benefit claimants have reported changes to the Social Security Agency and thought this to be sufficient in terms of informing the relevant

authorities. As a result, Housing Benefit claims have remained unchanged and not reflected these changes in circumstances and therefore the risk of overpayment has been greatly increased. We have always viewed this situation as a major contributor to the difficulties experienced. We recommend a greater interface between the various benefits whereby, information sharing mechanisms are put in place. We believe that this could be instrumental in tackling the difficulties experienced.

## **5.2 Fixed Period Awards (4.11-4.17)**

DWP wants to tackle complex Housing Benefit rules that require claimants to report changes in circumstances whenever they occur so that payments can be recalculated. DWP propose to build on the example of the tax credit system and introduce a system of fixed period awards for Housing Benefit. DWP are seeking views on how that fixed period may work in practice.

- The main features of such a scheme to secure maximum impact whilst avoiding any perverse incentives and minimising risk to those whose income falls significantly.

We welcome the need for an overhaul of the current complex system. Fixed periods offer a way of simplifying and speeding up the administration of Housing Benefit. However, we have some serious reservations about looking to the Tax Credit system for inspiration. The tax credit scheme has in some cases resulted in serious overpayments for claimants. It must be noted that overpayments in the Housing Benefit system are particularly precarious as they can impact on a tenant's ability to meet their rent liability. This can lead to tenants falling into arrears and consequently having to leave the property for breach of tenancy agreement.

We suggest the need for inclusion of a cushion / threshold as a means of determining the changes in income that must be reported in the fixed term period. We are aware that the Tax Credit system introduced a threshold whereby

claimants must report changes in circumstances that exceeded this threshold, which was originally £2,500. It has now been changed to £25,000. Also, in light of the serious problems that occurred with embedding the tax credit system we would advise that an initial pilot of fixed period awards takes place.

## **6.0 Decent Housing (6.1-6.11)**

DWP is concerned that Housing Benefit, in some cases may be subsidising tenants to live in poor quality accommodation which does not meet modern standards of energy efficiency or carbon footprint. It is proposing options that could improve the quality of accommodation occupied by those on Housing Benefit including:

- Linking Housing Benefit entitlement to the property meeting certain standards.

We support the need to improve the quality of private rented accommodation. However, Housing Benefit is not an appropriate vehicle to achieve this. As a result, we have serious concerns regarding proposal. LHA was introduced to promote choice. Linking it to property standards could actually restrict choice and discourage private landlords from letting to Housing Benefit claimants. This could result in the tenant experiencing significant shortfalls or possible eviction where, for example, a tenant's entitlement to Housing Benefit commences during the tenancy term and the property doesn't meet required standards and LHA is subsequently withdrawn.

The private rented sector has high proportions of particular section 75 groups living in unfit housing. Should this proposal to be introduced, it could have potential adverse impact that on these already vulnerable groups.

Overall, we believe there are better ways of improving standards of accommodation within the sector without having to impact on housing benefit.

## 7.0 Conclusion

Housing Rights Service and Law Centre (NI) welcomes the opportunity to provide comments on this consultation exercise. We trust you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

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