

**WRITTEN EVIDENCE TO THE WORK AND PENSIONS COMMITTEE  
ON THE IMPACT OF CHANGES TO HOUSING BENEFIT**

**WRITTEN EVIDENCE 6 SEPTEMBER 2010**

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## INTRODUCTION

Housing Rights Service is the leading provider of independent specialist housing advice services in Northern Ireland. We believe that everyone has the right to a decent, safe and affordable home and have been working for over 40 years to help achieve this on behalf of people who are homeless or living in poor housing in Northern Ireland. All our services are delivered throughout Northern Ireland and focus on key areas of preventing homelessness; accessing accommodation; tackling affordability and poor housing conditions. Our services include:

- Providing a housing advice line
- Undertaking advocacy and legal representation on behalf of people with housing problems
- Providing a Mortgage Debt Advice Service
- Providing online advice through [www.housingadviceNI.org](http://www.housingadviceNI.org) including email advice
- Delivering a skills and knowledge based training programme
- Producing information resources materials
- Supporting generalist advice agencies to deliver high quality housing in their local communities
- Providing client based commitment to influence the development of relevant public policy and legislation

Housing Rights Service works to achieve positive change by protecting and promoting the rights of people who are in housing need in Northern Ireland. Our policy work is based on the experience of our clients. Our records indicated that in 2009/10 19%<sup>1</sup> of our private rented sector enquiries related to affordability.

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<sup>1</sup> It must be noted that this is on the basis of staff inputting affordability as the presenting issue in relation to an enquiry.

## GENERAL COMMENTS

Housing Rights Service welcomes the opportunity to provide written evidence to the Work and Pensions Committee Inquiry into the impact of changes to Housing Benefit and Local Housing Allowance. Housing Rights Service has long acknowledged that there is a need for reform to the Housing Benefit system. We recognise that by getting the balance right Housing Benefit can deliver a simple and fair system of housing support which pays a fair rate of benefit to claimants while also protecting the taxpayer. However, we do not support the proposals announced in the June 2010 budget as being the correct approach. It is our view that they will hit low income households hard during the recession precisely when they are most in need of support. We have serious concerns that such measures could push some families over the edge. Many of our clients who approach us regarding Housing benefit are either pensioners, those with disabilities, people caring for a relative or hardworking people on low incomes. We have serious concerns that these measures will disproportionately impact on groups that are protected under Section 75, Northern Ireland Act 1998. It is our view that a full equality impact assessment is essential prior to any further consideration of these measures.

As part of this Committee Inquiry we believe it necessary that consideration is given to the Northern Ireland context. As highlighted by the Minister for Social Development Northern Ireland faces particular challenges.

*Our economy is disproportionately reliant on the public sector, complicated in nature, recovering from the consequences of conflict and affected by the downturn in the South of Ireland. Experts advise that it will emerge from recession some time after the economy in Britain. There are many parts of Northern Ireland that have suffered, and continue to suffer, from high and even acute levels of deprivation and joblessness, often giving rise to heightened levels of ill health. Even as we eventually emerge from recession, there will be a significant challenge in ensuring that sufficient jobs that are available in what will undoubtedly be a highly competitive market.*

Also, it is well documented that the private rented sector plays an increasingly important role in meeting housing need in Northern Ireland, for not only first time buyers but also those who traditionally relied on the social housing sector. Research undertaken by the Northern Ireland Housing Executive and the University of Ulster indicates that already in 2007, more than one third (35%) of private tenants stated that it was their inability to access either owner occupation or social housing that was the main reason for living in the private rented sector. This is of particular concern at a time when there has been a policy shift whereby government is looking to the private rented sector to meet housing need traditionally met by social housing. In Housing Rights Service's experience the major issue facing private rented sector tenants is affordability and this situation will be exacerbated if these measures are introduced. In Northern Ireland in 2008/09 loss of rented accommodation is one of the top three reasons for presenting as homeless and within that category the most prevalent reason was inability to sustain accommodation because of shortfalls in rent.

It is within this context that policy makers and other key players need to evaluate the potential impact of these significant changes on people's ability to access and sustain a home.

The focus of our response is on those elements of the proposals that would have serious implications within the Northern Ireland context. In summary if these measures are introduced in Northern Ireland they will have the following implications:

- Restricting access to the private rented sector
- Limiting the ability of tenants to sustain a home
- The breakdown of families
- Increasing rent arrears in the private rented sector and social housing
- Increasing both direct and indirect costs associated with homelessness
- Increasing costs associated with managing and recovering rent arrears
- Increasing demand on advice services
- Increasing applications for Discretionary Housing Payments
- Reluctance of private landlords in the private rented sector to let to people in receipt of benefit and possible withdrawal from the market.

Housing Rights Service appreciates that there is a huge deficit that needs to be addressed by the coalition Government and sees merit in looking to public expenditure to address this. However, targeting housing benefit and local housing allowance in this way will actually give rise to serious increases in public expenditure. In our view a more sophisticated cost benefit analysis is required to ensure that the approach taken is fit for purpose.

ANNOUNCEMENTS	HOUSING RIGHTS SERVICE RESPONSE
<p><b>From October 2011, Local Housing Allowance rates will be set at the 30<sup>th</sup> percentile of local rents (instead of the 50<sup>th</sup> percentile)</b></p> <p>This means that in each market area if there were 100 properties available for letting of the appropriate size, the LHA will be based on the 30<sup>th</sup> lowest rent of those 100 properties.</p>	<p><b>Housing Rights Service does not support this proposal</b></p> <p>The Northern Ireland Housing Executive has attempted to assess<sup>2</sup> the effect of this change locally. On the basis that there are some 38,000 private tenants who currently have their Housing Benefit assessed on the basis of Local Housing Allowance. It is calculated that each of them would lose on average £7 - £8 a week. Generally rents within the private rented sector are higher. In the experience of our clients they are already struggling as a result of shortfalls in rent and this is a major factor leading to homelessness, this measure will only serve to make matters worse.</p> <p>As this will result in reduced availability, in terms of affordability, of private rented sector housing for low income earners it is likely that there will be those that will be priced out of the market. This is of serious concern, particularly at a time when there has been a policy shift whereby government is looking to the Private Rented Sector to meet housing need traditionally met by social housing.</p> <p>Research undertaken by the University of Ulster<sup>3</sup> indicated that 68 per cent of tenants in the PRS who were in receipt of HB (now almost 50,000 tenants) had to pay a shortfall between the HB they received and the total rent payable to the landlord and that this weekly shortfall amounted to an average of £20 per week. The effect of this new policy on determining LHA will exacerbate this problem. It will inevitably mean more private tenants losing their home and therefore greater demand on homelessness services and increased numbers of applications for social housing at a time when waiting lists cannot meet demand.</p>

<sup>2</sup> Joe Frey (2010) "Northern Ireland's Housing Market: the Budget and the Private Rented Sector" Northern Ireland Quarterly House price Index, Quarter 2 2010:

<sup>3</sup> Ibid

<p><b>From 2010 -14, Local Housing Allowance will be up-rated in line with the Consumer Price Index (CPI)</b></p>	<p><b>Housing Rights Service does not support this proposal</b>  The effect of this measure will be to shrink the 30% of the market that is at least theoretically available to tenants. In the long term there will come a point when the cheapest property which is available in a given market area is more expensive than the full LHA rate.</p> <p>Again, it is our view that this measure will have the following implications:</p> <ul style="list-style-type: none"> <li>• Households will struggle to access and sustain private rented accommodation</li> <li>• Increased hardship, greater demand on homelessness, social Housing</li> <li>• Greater levels of overcrowding</li> <li>• Landlords becoming less prepared to let to know benefit claimants</li> </ul> <p>Increased applications of discretionary housing payments.</p>
<p><b>Housing Benefit awards will be reduced to 90% of the initial award after 12 months for claimants receiving jobseeker's Allowance. This will be introduced in April 2013.</b></p>	<p><b>Housing Rights Service does not support this proposal</b>  Those tenants who have claimed Job Seekers' Allowance for 12 months or more will see their housing benefit or Local Housing Allowance reduced by 10 per cent. Tenants who are unable to find work will have to make up the difference from their Job Seekers' Allowance. Based on current levels of JSA claims CIH estimates<sup>4</sup> that at a UK wide level this could affect as many 100,000 claims per year. CIH also highlight that this is likely to rise because the number of long term JSA claimants is not expected to peak until around 2012 and will remain a significant proportion of case load for a further three to four years after. CIH has identified<sup>5</sup> Northern Ireland as one of the areas of the UK that will be most affected by this change – based on current caseloads of long-term JSA.</p> <p>This will put increasing pressure on tenants in Northern Ireland due to higher levels of long term unemployment</p> <p>It is our view that this measure will have the following implications:</p>

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<sup>4</sup> ibid

<sup>5</sup> bid

	<ul style="list-style-type: none"> <li>• Increased risk and incidence of slowly rising arrears</li> <li>• Need for additional staff and communication resources to collect shortfall from tenants</li> <li>• Higher levels of vacancies due to planned moves and abandonment</li> <li>• Increased incidences of non dependent deductions and overcrowding as households give up their own tenancy and move in with friends and family</li> <li>• Private sector landlords becoming unwilling to let to people on benefits of fears of high levels of arrears</li> <li>• Increased applications for discretionary housing payments.</li> </ul> <p>It is also our view that if government is going to proceed with this there has to be a safeguard in place that will ensure that application of this reduction is subject to the demonstrated availability of suitable employment.</p>
<p><b>Deductions for non-dependents will be up-rated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02.</b></p> <p>Deductions from the claimants eligible rent where other adults live with claimant who are not part of the family for benefit purposes (typically the claimant’s own adult children who are either working or claiming in their own right) are set to increase in line with prices.</p>	<p><b>Housing Rights Service does not support proposal</b></p> <p>Analysis<sup>6</sup> undertaken by the CIH at a UK wide level indicates that reversing these freezes will result in an increase in the charge rates by between one third and one half their current rate and maybe even higher depending on the type of indexation used. The analysis goes on to highlight that in order to achieve the projected level of savings it also seems likely that there will be some restructuring of the rules which determine the charge band to be applied.</p> <p>As a result tenants sharing their home with other adult(s) will need to collect more money from the other adult(s) to contribute towards the rent, or make up the difference from their own money. These changes will be an incentive for tenants to encourage their children to leave home and a disincentive to voluntary sharing and therefore place future demand on housing stock. They will in turn hamper tenants’ own ability to avoid under-occupation and will result in a particularly harsh dilemma: if the tenant allows the occupier to stay they could lose all of their housing benefit, but if they ask them to leave then they could get hit with a</p>

<sup>6</sup> Chartered Institute of Housing (2010) “ Briefing Paper on the impact of changes to Housing Benefit and Local Housing Allowance in the Budget” Member Briefing July 2010

	<p>reduction because they are under occupying.</p> <p>In our view this measure will have the following implications;</p> <ul style="list-style-type: none"> <li>• Increased demand for independent housing from people who previously shared.</li> <li>• Higher incidence of adult children being asked to leave the family home</li> <li>• Tenants being less willing to care for elderly parents in their own home</li> <li>• Increased risk and incidence of increasing arrears amongst tenants</li> <li>• Need for additional staff and communication resources to collect shortfalls from tenants</li> <li>• Higher demand on homelessness services</li> <li>• Increased applications and demand from young people</li> <li>• Private landlords becoming more reluctant to let to families with older children who are approaching 18.</li> </ul>
<p><b>From April 2013, housing entitlements for working age people in the social sector will reflect family size.</b>  This change will restrict housing benefit for working age tenants who are occupying a larger social rented property than required for their household size (size restrictions)</p>	<p><b>Housing Rights Service does not support this proposal</b>  The 2009 Northern Ireland House Conditions Survey estimates<sup>7</sup> that approximately 60% of all social housing dwellings are under-occupied as defined by the bedroom standard. This does not breakdown by age, so, given that a significant proportion of those under occupying are elderly, the numbers affected are likely to be somewhat fewer. It must be considered that there will not necessarily be a supply of smaller social rented properties for the purposes of re-housing. It is therefore our view that people should not be penalised unless it can be demonstrated that there is more suitable accommodation which can be accessed.</p>
<p><b>From April 2011, Housing Benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom.</b></p>	<p><b>Support</b></p>
<p><b>The Government contribution to Discretionary Housing Payments will be increased by £10 million in 2011-12 and £40</b></p>	<p>It is already clear that Discretionary Housing Payments(DHPs) are already inadequate within current regulations. In our experience clients are being denied</p>

<sup>7</sup> Northern Ireland Housing Executive: 2009 Northern Ireland House Conditions Survey.

**million in each year from 2012-13.**

the DHPs they need. We support the need for an increased pot of money for this purpose however we consider the proposed measure hugely inadequate and disproportionate to the measures.