



Support for housing costs in a reformed social security system

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CPAG's submission to the Work and Pensions Select Committee  
Inquiry

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## Introduction

1. Child Poverty Action Group (CPAG) has worked for almost 50 years to prevent and relieve poverty among children and families in the UK. We have particular expertise in the functioning of the social security system through our welfare rights work, training and policy and research.
2. We welcome this opportunity to respond to the Work and Pension Select Committee's inquiry into support for housing costs. The government's own child poverty statistics show how important adequate assistance with housing costs is if we wish to address child poverty. According to the most recent data, 17 per cent of children in the UK live below the poverty line before housing costs are deducted, but this figure rises to 27 per cent once housing costs are taken into account.<sup>1</sup>
3. The sharp difference between these two figures speaks to the high level of housing costs in the UK. As is well evidenced, the social rental sector has been characterised for many years by under-supply, which in turn has led to pressure and consequently high prices in the private rental sector. In 2011/12, the average private sector rent in England comprised almost 32% of the median income.<sup>2</sup> As a result, the UK social security system has to do more 'heavy-lifting' than systems in many other comparable countries in order to assist those on low incomes.
4. Nevertheless, recent reforms have focused on cutting levels of support to low-income groups rather than addressing the underlying structural problems that have driven up housing support expenditure in recent years. Table 1 sets out the changes made alongside the losses that families and individuals have had to absorb over the course of this parliament. As the table shows, in this fiscal year alone, those in receipt of housing support have lost £2.7 billion of the assistance they have received in the past, while over the four year period they will have lost almost £7.5 billion of support.

**Table 1: Changes to housing support, 2011/12-2014/15**

Announced measure	losses (£ million)				cumulative total to 2014-15
	2011-12	2012-13	2013-14	2014-15	
HB for private renters reduced					
capped nationwide	0	0	225	270	495
four bedroom limit	35	115	145	165	460
additional bedroom for carers from 2011-12	-15	-15	-15	-15	-60
reduced from median to 30 percentile	130	375	445	475	1425
removed £15 excess for claimant whose rent is lower than LHA	240	240	240	240	960
Non-dependant deductions increased	70	135	195	210	610
Discretionary housing payments increased	-10	-40	-40	-40	-130
HB restricted to shared room rate for under 35s	10	170	230	215	625
HB entitlement in social sector to reflect family size	0	0	490	490	980
CTB to be localised and reduced by 10%	0	0	485	485	970
LHA uprated by CPI	0		90	265	355
Benefit cap introduced	0	0	290	330	620
LHA uprated by 1% for 2 years with provision for high rent areas	0	0	0	105	105
<b>Total</b>	<b>460</b>	<b>980</b>	<b>2780</b>	<b>3195</b>	<b>7415</b>

Source: all figures HM Treasury

<sup>1</sup> DWP, *Households Below Average Income 1994/5-2011/12*, Table 4.1tr

<sup>2</sup> Average rents from Valuation Office Agency statistics Table 1.7 available at [http://www.voa.gov.uk/corporate/statisticalReleases/120823\\_PrivateResidentialRentalMarketStatistics.html](http://www.voa.gov.uk/corporate/statisticalReleases/120823_PrivateResidentialRentalMarketStatistics.html).

Median income from DWP, *Households Below Average Income 1994/5-2011/12*, Table 2.2db

5. The cuts made to housing support as part of the welfare reform agenda have been rationalised on a range of grounds: that they incentivise claimants to work (more); that they will encourage low-income families and individuals to move to cheaper properties; that they will inspire landlords in the private sector to decrease rents. Yet adequate housing support is a key element of any child poverty strategy. With this in mind, we offer the following comments on the impact and efficacy of the changes made to date, and especially seek to bring out the perspective of families with children.

#### Housing support in the private sector

6. The cluster of changes made to local housing allowance (LHA) from April 2011 constitutes a cut of over £1 billion in support in this fiscal year alone. According to the government's impact assessment, almost half (48%) of those affected by these changes are families with children.<sup>3</sup> Although the impact assessment suggested that analysis of the LHA changes on child poverty rates would be undertaken, to date this has not been placed in the public domain.
7. Recent analysis from the Institute for Fiscal Studies has considered the early impact of these changes.<sup>4</sup> It shows that those with children are experiencing larger shortfalls between their housing benefit and rents than other types of claimants, with single parents experiencing a gap between their rent and housing support of on average £9.82 a week, while couples with children are absorbing losses of £10.40 a week. These shortfalls eat into funds designated for living costs.
8. The government's impact assessment anticipated that any negative consequences of the LHA changes would be mitigated by claimants moving to cheaper accommodation or by landlords reducing rents. We know from the hundreds of advisers we train every month however that many families, both in and out of work, in urban and rural communities, are simply unable to find accommodation where prices are at or below the 30<sup>th</sup> percentile of rents, the level at which LHA rates are now set.
9. Moreover, as the IFS analysis points out, families with children are significantly less mobile than other claimant types as they must take account of considerations such as proximity to schools, and to family-friendly jobs. Critically, the IFS analysis shows that landlords have absorbed little, if any, of the shortfall in housing support to date: in fact, as far as couples with children are concerned, landlords have actually increased rents during this period contrary to government expectations, thereby placing ever greater strain on budgets and increasing the depth of family poverty.

#### Uprating housing support

10. As Table 1 shows, it is not just the headline cuts to housing support that will have significant impacts on low-income families and individuals but also changes to the way that support will be uprated over time. The decision to uprate LHA in 2013/14 by CPI, and in the subsequent two

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<sup>3</sup> DWP, *Housing benefit: Changes to Local Housing Allowance arrangements*, Impact Assessment November 2010

<sup>4</sup> M Brewer et al, *The impact of LHA reforms on entitlements, rents and property type for new claimants* in DWP, *Monitoring the impact of changes to the LHA system of housing benefit: interim report*, DWP 2013. See in particular Table 3.10

fiscal years by a nominal 1%, has disconnected housing support from real rent levels for the first time in the modern welfare state. With average rental values in the private sector running 5.4% higher in August 2013 compared to August last year, a gap is rapidly opening up between real rents and housing support levels.<sup>5</sup>

11. Once again, it is families with children who are likely to feel the hit most acutely. Housing benefit statistics show that while families with children constitute just short of half of the caseload, their weekly awards are larger on average than those without children.<sup>6</sup> Consequently, the failure of levels of support to keep pace with real rents will impact on families' budgets more dramatically than those with lower awards.
12. The government has committed on several occasions to monitor the relationship between real rents and inflation. In December 2011, Lord Freud assured the House that 'We may need to increase LHA rates if growth in rents and the CPI are so out of sync that there is a critical lack of affordable housing'.<sup>7</sup> When all the indicators testify to an overheated private rental market it is hard not to conclude that this point has already been reached.

### The benefit cap

13. Child Poverty Action Group's objections to the benefit cap are well known. To begin, the benefit cap is an irrational policy in that it disconnects assessed need from award level, which merely results in these needs manifesting elsewhere (and often more expensively) in the state system. In addition, the policy is based on factual error: the £500 a week cap does not equalise an out-of-work family's income with that of the average in-work family as claimed as this fails to take account of benefits, including child benefit, that the in-work family receives. Instead, in our view the benefit cap is a punitive and populist policy that is causing untold hardship and stress for those affected.
14. As the government own analysis shows, families with children are disproportionately affected by the benefit cap: 90 per cent of the 56,000 households to be capped in 2013/14 have children, with the policy estimated to affect 190,000 children in this single year alone.<sup>8</sup> The most recent statistics on the cap's roll-out suggest that to date, 74% of households affected have been single parent families, and that 29% of all affected have lost over £100 a week or more of housing support.<sup>9</sup>
15. Research conducted by CPAG with local authorities testifies to the dramatic effects that this policy is having on families' lives.<sup>10</sup> Contrary to popular perceptions, those affected are rarely living in high rent accommodation through choice, but instead simply happen to live in areas

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<sup>5</sup> Data taken from <https://homelet.co.uk/rentalindex>

<sup>6</sup> See Housing Benefit and Council Tax Benefit summary statistics: February 2013 tables 9a and 9b available at <https://www.gov.uk/government/publications/housing-benefit-and-council-tax-benefit-caseload-statistics-published-from-november-2008-to-present>

<sup>7</sup> HL Deb, 14 December 2011, c1324

<sup>8</sup> DWP, *Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap*, July 2012

<sup>9</sup> DWP, *Benefit cap – number of households capped across phased area Local Authorities data to July 2013*, September 2013

<sup>10</sup> See for example R Farthing, *Local authorities and child poverty@ balancing threats and opportunities*, CPAG July 2013 and K Bell, *Between a rock and a hard place Early impacts of welfare reform in London*, CPAG November 2012

where rents have escalated rapidly in past years, or are currently housed in prohibitively expensive temporary accommodation. Few families are able to absorb the losses they are experiencing, or find enough work to avoid the cap, forcing them into the difficult position of having to relocate with all the negative impacts that can have on child wellbeing.

16. The story of one family that has been passed on to CPAG speaks volumes about the pernicious effects of the benefit cap. Sarah (not her real name) was living in outer London with a rent of £300 a week, only £140 of which was covered after the roll out of the benefit cap. Her landlord refused to reduce the rent, but she was advised by the local authority to remain in the property as there was little chance of finding cheaper housing in the borough. Sarah fell behind with the rent, became increasingly indebted and was being harassed by her landlord. She finally decided to leave and after taking her children out of school, she travelled to a city where she had no local connection. She was placed in a bed and breakfast for some nights after which the local authority decided she was intentionally homeless. Children's services supported her for a short period and then she was evicted. She is now staying with her pregnant friend in a one bedroom flat. Her four children are sleeping in the double bed and Sarah and her friend are on a blow up mattress. The children are not in school because there is no permanent address, they have no GP and she has had to take the kids to A&E on two occasions with chest infections. Quite apart from the effects on the children's well-being, there are no cost savings to be made as ultimately the price will be paid elsewhere in the system or by another local authority.

#### Under-occupation penalties in the social rented sector ('The bedroom tax')

17. Although the bedroom tax is a policy that ostensibly should help the many families with children currently living in overcrowded conditions, the government's impact assessment shows that in fact a third of those affected by the policy are households containing children.<sup>11</sup> No figure is available, however, for the number of children living in affected households.
18. The bedroom tax has particularly pernicious effects on those with disabled family members. To provide one example, CPAG is acting for a family where two disabled adults are caring for their disabled grandson. The grandson requires overnight care, but the rules do not allow a bedroom for overnight carers of disabled children, only for overnight carers of the claimant or their partner. Consequently the family's housing benefit no longer covers their rent and while they are currently coping because they receive discretionary housing payments (see also below), these will expire in April 2014.
19. The lack of suitable properties in many areas into which those affected by the policy could move is also well-evidenced, forcing families once again to cover the losses from their broader family budget. Frontline agencies are already documenting the impact of the bedroom tax on the lives of those affected.<sup>12</sup> Studies testify to families who are unable to move having to make choices between paying their rent and basics such as heating and food, to increasing indebtedness as they attempt to smooth their income throughout the month, and to rising rent arrears and hence increased risk of homelessness.

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<sup>11</sup> DWP, *Housing Benefit: Under occupation of social housing Impact assessment*, June 2012

<sup>12</sup> See for example, Northern Housing Consortium, *Real life reform: Report 1*, September 2013 and National Housing Federation, *The bedroom tax in Merseyside – 100 days on*, July 2013

## Discretionary Housing Payments

20. Although the government has made clear that it expects the impact of changes to housing support to be mitigated primarily through behavioural change, they have made some provision for additional protection when required. Consequently, those deemed to 'require further financial assistance towards housing costs' can apply for additional discretionary housing payments (DHP) until 2014/15.
21. Table 1 shows, however, how inadequate the extra provision is in relation to the cuts in support. The extra £40 million being made available to local authorities to disburse as DHPs this fiscal year, for example, constitutes less than 1.5 per cent of the total cuts being made to housing support. Research with local authorities has shown how difficult it is for councils to develop fair schemes with such limited resources, and indeed even deliver on statutory duties.<sup>13</sup>
22. Moreover, while the discretionary nature of DHPs allows for flexibility, there is little evidence to suggest that local authorities deploy these payments in a strategic way, or indeed in some cases monitor the reasons why such awards are made.<sup>14</sup> As DHPs come to play an increasing role in the social safety net, systems for ensuring they are used as effectively as possible are crucial.

## Conclusions

23. Any commentary on housing support has to acknowledge that government policies have radically reduced levels of assistance for low-income families and individuals over the last three years, and that the effects of these changes will be enduring on many families with children. Without exception, each cut in support has placed the burden to mitigate its effects primarily on claimants themselves, expecting them to either relocate, take up (more) work, or absorb the losses in their already very limited incomes. In addition, the risk that rents do not adjust in response to cuts in housing support is also borne by claimants.
24. However, all these expectations fail to take account of wider structural factors such as the overheated housing market which limits the ability of families to relocate to cheaper properties in their neighbourhood. The potential negative effects on families' well-being caused by having to relocate some distance from their previous home are well-evidenced: recent research has shown the damage that can be caused to children's education as a result of in-year school changes for example<sup>15</sup>, as well as the fact that proximity is correlated with levels of intra-family support (both in cash and in kind).<sup>16</sup> Likewise, the changes to housing support take no account of the weak labour market which constrains the ability of many parents to find sustainable and adequately paid employment.
25. Cutting £7.5 billion of housing support to low income families and individuals cannot fail to drive up child poverty in the UK over the coming years. But growing up in poverty matters: it makes for a miserable childhood, has longer term effects on health and educational outcomes of poorer children, and in the longer term, will cost the country far more than the savings currently being made.

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<sup>13</sup> R Farthing, *Local authorities and child poverty: Balancing threats and opportunities*, CPAG July 2013

<sup>14</sup> See R Sutherland, *Discretionary housing payments* in CPAG, *Discretion and the benefits system*, forthcoming

<sup>15</sup> M Rodda with J Hallgarten and J Freeman, , *Between the cracks: Exploring in-year admissions in schools in England*, RSA, July 2013

<sup>16</sup> R Shorthouse, *Intergenerational transfers in low-income households*, Social Market Foundation, forthcoming

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