Welfare reforms: impact on housing and homelessness

This paper sets out the main UK welfare reforms which are likely to impact on housing and homelessness.

Under occupancy charge or "bedroom tax" – introduced 1 April 2013

Housing benefit is paid to tenants with a low income to help with their rent. The "bedroom tax" is a reduction in the maximum amount of housing benefit you could receive for your tenancy. The maximum amount of housing benefit may not be the amount of housing benefit you receive, as this is calculated after your income has been taken into account. The deduction is applied if you are deemed to be under-occupying your home. You may not actually have a spare bedroom but be considered to under the rules. Your maximum housing benefit will be reduced by:

- 14% for 1 additional room
- 25% for 2 or more additional rooms

This will result in a shortfall between the rent due and the housing benefit paid. You can apply to the local authority for a discretionary housing payment to cover the shortfall. It has been agreed that powers will be transferred from Westminster to the Scottish Government to allow them to allocate sufficient funds to pay discretionary housing payments (DHPs) to the majority of people affected by the "bedroom tax." Entitlement to DHPs is dependent on you having some entitlement to housing benefit. Some people will cease to be entitled to housing benefit once the bedroom tax has been applied and therefore will not be entitled to DHPs.

The reform affects:

- tenants in the social rented sector i.e. council or housing association tenants; *and*
- people staying in temporary accommodation, unless the accommodation is:
  - a bed and breakfast
  - includes the provision of meals
  - leased to the local authority by another housing provider or landlord

Implications include[1]:

- potential rent arrears for tenants who do not apply for, or who are not entitled to discretionary housing payments;
- increased demand for transfers has led to fewer smaller properties being let to homeless households; *and*
- lets to homeless households in larger properties have declined, which can be attributed to some housing providers refusing to allocate properties that will be deemed to be under-occupied and some homeless households refusing offers on the basis that they will be subject to the bedroom tax.

[1] SFHA report: Welfare Reform: the Impact on Homelessness and Tenancy Sustainment for Scottish Housing Associations June 2014

Benefit cap – introduced in Scotland from 15 July 2013

The benefit cap is a limit on the total amount working age claimants can be paid from certain benefits.

The cap is set at

- £500 a week for couples and lone parents; *and*
- £350 a week for single claimants.

It is applied by reducing the amount of housing benefit, or universal credit, you are entitled to. You will not be subject to the cap if you are working and entitled to working tax credit, for 9 months after you stop work, or you are in receipt of specified disability benefits. If your housing benefit is reduced, there will be a shortfall between the rent due and the housing benefit that you receive. You will be liable to pay the shortfall yourself, but you can apply to the local authority for a discretionary housing payment.

It affects council and housing association tenants and tenants in the private rented sector, but is not applied to someone staying in:

- specified supported accommodation;
- a refuge, having fled domestic violence; *or*
- a local authority hostel in which care, support or provision is provided.

Implications include:

- potential rent arrears for tenants who do not apply for, or who are refused discretionary housing payments;
- longer periods of residence in exempt accommodation listed above, creating a bottleneck effect, as people cease to be exempt from the benefit cap when they move to permanent accommodation; *and*
- difficulty securing and sustaining accommodation.

Maximum housing benefit in the private rented sector – since April 2011

Housing benefit in the private rented sector is restricted to maximum amount that can be paid for the size of property in a local area, called the local housing allowance (LHA). The LHA may not be the amount of housing benefit paid, as this is determined after the tenant's income has been taken into account. The size relates to the number of bedrooms you are allowed under the rules and not the number you actually have. On 1 April 2011, the maximum number of bedrooms allowed was capped at 4. Up until then the local housing allowance rates were calculated monthly and pegged at the median of local rents. The rates were then capped and frozen until 1 April 2013. They will now be up-rated annually by the lower of:

- 30th percentile of local rents; *or*
- last year's rates plus 1%

If private rents increase by more than 1% (and last year they grew by 1.3%[2]), the local housing allowance will bear less relation to the rent charged.

Until 1st January 2012, if you were a single person under the age of 25 you would only receive the local housing allowance for a single room in shared accommodation unless:

- you lived with a partner
- looked after a child
- were a care leaver
- had the severe disability premium included in your housing benefit claim

This was extended to single people under the age of 35.

Implications include:

- difficulty finding private rented tenancies where the rent will be met completely or largely by housing benefit;
- tenants under the age of 35 with shared care of children facing large shortfalls, or not having their children to stay
- difficulty sustaining tenancies where there is a shortfall; *and*
- increased demand for social rented tenancies where the rents are generally lower and the single room rate does not apply.

EEA nationals lose right to reside as jobseeker after 6 months – from 1 Jan 2014

Jobseekers lose their right to reside after 6 months unless they can provide 'compelling evidence' they are seeking and have a genuine chance of getting work. DWP guidance provides the example of someone having a job with a start date[3]. EEA nationals who have worked can retain their right to reside as a worker if they become involuntarily unemployed and register with the jobcentre. This has also now been limited to 6 months if they have been working for less than a year, or longer if they worked for a year or more and can provide compelling evidence that they are seeking and have a genuine chance of getting a job. If either situation occurs, the EEA national must have a period of absence from the UK before they can obtain jobseeker status again.

Implications include:

- EU nationals losing their entitlement to financial support after 6 months
- Increased risk of destitution and homelessness, putting greater strain on local authority and third sector resources
- EU nationals who have worked and become integrated over several years being forced to leave the UK

[2] Office for National Statistics: Index of Private Housing Rental Statistics, January to March 2014 results
[3] DMG 15/14

EEA jobseekers not entitled to housing benefit – from 1 April 2014

If your only right to reside is as a jobseeker, you will not be entitled to housing benefit if you submit a new claim for jobseekers allowance or housing benefit after 1 April 2014. This does not apply if you have previously been employed in the UK and have retained worker status.

Implications include:

- New migrants lacking the necessary resources to secure accommodation while they look for work
- EU nationals who have a change of circumstances, for example relationship breakdown, not being able to access financial support to pay rent.

Non-dependent deductions

If someone lives with you who is not your partner or child, a deduction will be made from your housing benefit, or help with mortgage interest payments. The amount deducted is on a sliding scale in relation to the non-dependent's income. The amounts have increased dramatically in the last 3 years. For example, in 2010 the weekly deduction for someone receiving jobseeker's allowance was £7.40; it has now nearly doubled to £14.15. The application of non-dependent deductions assumes that the non-dependent will be making a financial contribution to the household, which may not be the case. They are applied to tenants in social and private rented tenancies.

Implications include:

- destabilising household relationships where the shortfall is not met by the non-dependent;
- reluctance to allow friends or family to move in if they will attract a non-dependent deduction; *and*
- rent arrears where the shortfall cannot be met.

Sanctions

Sanctions can be applied to jobseeker's allowance, employment and support allowance and income support. For some jobseekers, a sanction may result in not being paid any jobseekers allowance at all. This amounts to a loss of £72.40 a week for someone aged 25 over for a period from 4 weeks up to 3 years.

Implications include:

- reports of housing benefit being stopped or suspended when a sanction is applied to another benefit resulting in rent arrears; [4]
- inability to pay rent, food or fuel, all of which could de stabilise a tenancy; *and*
- homeless households finding themselves unable to pay to travel to engage with services.

Mandatory reconsideration – introduced 28th November 2013

For benefits other than housing benefit, claimants cannot appeal a decision to the first-tier tribunal until they have formally asked the DWP or HMRC to look at the decision again by requesting a mandatory reconsideration. This is particularly problematic for employment and support allowance

[4] SFHA: Cause for Concern – SFHA report on sanctions

(ESA) claimants as they are not entitled to any form of ESA while they await the outcome of the mandatory reconsideration. During this period they have the option of signing on but they must actively seek work and risk being sanctioned if they do not. When introduced the DWP stated the process should take about 14 days, however it generally accepted to be taking around 6 weeks. It has come to the attention of the Early Warning System that housing benefit claims are being disrupted or stopped during the mandatory reconsideration period.

Scottish Welfare Fund – introduced on 1 April 2013

Crisis loans and community care grants administered by the DWP Social Fund were replaced by crisis grants and community care grants administered by local authorities under a new Scottish scheme: the Scottish Welfare Fund. The new scheme has been widely welcomed. No such equivalent has been set up in England where local provision has been sporadic. However, long processing timescales and a reduced number of successful claims have led to homeless households being rehoused without the basic necessities.[5] The implications of this are:

- tenants moving in without basic necessities, threatening to the sustainability of the tenancy;
- homeless applicants refusing offers of tenancies; *and*
- new tenants delaying moving in. In the majority of cases housing benefit can only be paid from the date he tenant moves in, resulting in the tenancy commencing with rent arrears.

Universal credit – introduced in Inverness on 25th November 2013

It is intended that universal credit will replace the main means-tested benefits and tax credits that are currently available, including housing benefit and mortgage interest costs. Universal credit was introduced in Inverness and surrounding areas:

- on 25th November 2013 for single claimants
- on 24th June 2014 for couples

with no children or health issues.

It is intended that it will be rolled out to the majority of new and existing claimants by the end of 2017. Key changes to note include:

- claims will be made online;
- it will be paid monthly;
- housing costs for rent will be paid direct to claimants and not to landlords unless there are exceptional circumstances;
- monthly assessment period - changes within the assessment period will be applied for the whole of that month; *and*
- if homeowners do any paid work, they will not be entitled to any help with their mortgage interest. At present they receive support whilst doing limited amounts of work.

Implications include:

- difficulty accessing internet provision to make claims online;

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[5] SFHA report: Welfare Reform: the Impact on Homelessness and Tenancy Sustainment for Scottish Housing Associations June 2014

- budgeting issues arising from the change to monthly payments;
- increased rent arrears arising from budgeting issues and payments not being made directly to landlords;
- rent arrears occurring where a client moves from temporary accommodation at a high rent to permanent accommodation at a lower rent during the assessment period as the lower housing costs will be paid for the whole of that month; *and*
- homeowners struggling to meet mortgage commitments if they find work that is not sufficiently well paid.
- greater pressure on local support

Impact on people who are homeless or at risk of homelessness

All of these reforms impact on people who are homelessness or at risk of homelessness. Difficulty sustaining tenancies is likely to lead to an increase in homeless applications and demand for temporary accommodation. Moving on from temporary accommodation may be slower as vacant tenancies are offered to families downsizing and not to homeless applicants. This may impede local authorities' abilities to fulfil their statutory homelessness duties, in terms of securing temporary accommodation and permanent accommodation. If the applicant does secure permanent accommodation, they may face moving in without basic necessities, or waiting for a community care grant and accruing rent arrears before they move in. Increasing rent arrears will impact on councils and housing associations through lost revenue and increased use of staff time on rent collection. This in turn will affect their ability to provide support and advice to tenants, carry out repairs and cyclical maintenance, and perform regeneration activities.

People seeking accommodation in the private rented sector, either through choice, or the unlikelihood of being offered a social rented tenancy, may find it harder to find tenancies where not only will the landlord accept housing benefit, but the rent will be met in full by housing benefit.

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