



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

CPAG response to DWP consultation

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- i. CPAG welcomes the opportunity to respond to the consultation on the green paper: “Supporting people into work: the next stage of Housing Benefit reform.”
- ii. Housing need is a major contributor to child poverty¹. Housing benefit is a vital tool in preventing families from falling into housing need, and an essential component in the government’s stated aim to eradicate child poverty by 2020. We submit that any reform of housing benefit needs to safeguard claimants and their children and to take account of the over-arching principles behind the housing benefit scheme, set out at paragraph 2 of the consultation document as preventing homelessness, supporting mixed communities and supporting the provision of homes in the social rented sector.
- iii. Given an inadequate supply of social rented accommodation, HB needs to be payable for housing in the private sector at rates that enable families to secure good quality accommodation in the areas where they need to live to maintain contact with the local communities, education, health services and labour market that they need for support.
- iv. We welcome the statement that ‘The fundamental purpose of Housing Benefit is to provide individual support to people on a low income to enable them to afford decent accommodation’. However, we note that on page 19, the long term vision for Housing Benefits places the principle that ‘It supports customers into work’ first. While we welcome reforms that will remove financial barriers to employment, we believe that the primary purpose of housing benefit is to ensure that all low income families, whether or not they are in employment, have access to good quality housing.
- v. Given high levels of in-work poverty, we agree that low take up of in-work housing benefit is a source of concern, and welcome the focus on ensuring that claimants who are moving into work know about and access housing benefit. We are concerned however that this information is not being provided as matter of course by those delivering welfare to work employment programmes – whether jobcentre plus or private providers – high quality advice needs to be provided when ‘better off in work’ calculations are being made.
- vi. The fact that in-work poverty is rising, and 59% of children living in poverty have a parent in work, suggests that much more needs to be done to ensure that work is an effective route out of poverty.
Increasing take up of in-work benefits and tax credits is essential. Reviewing the rate at which benefits are lost when the claimant goes into work is vital. Consideration should also be given to

¹ See for instance Chapter 4, Children in Acute Housing Need, At Greatest Risk; The children most likely to be poor ed G Preston (CPAG)

increasing earnings disregards, and to increasing disregards for working tax credit.

- vii. In our view however, there is insufficient background information in this paper to enable informed comment to be made on several of the questions, and we believe more modelling and more research is needed to test some of the assumptions which have been made.

Question 1. Do you agree that a Transition into Work Payment will help to ease the move into work?

- 1.1 The proposal is that on moving into work the claimant will be paid HB at the rate that applied prior to moving into work for 3 months ignoring changes in circumstance over that period. This would replace the existing 4 week extended payment for those who have been in receipt of IS/JSA for 26 weeks. It seems, however, that the trade off for the longer period of payment would be a longer qualifying period on out of work benefits to establish entitlement, targeting support on those who are furthest from the labour market.
- 1.2 We agree that provided existing beneficiaries of extended payments do not lose out, an extended Transition into Work Payment would be helpful to claimants, and that it could be effective in acting as an incentive to take up work, and in smoothing the transition in the first 3 months.

Question 2. What would be the main features of such a scheme to secure maximum impact and minimise risk?

- 2.1 We would be concerned about extending a qualifying period that is already lengthy. This would mean that some people who currently benefit from extended payments would lose out. There is no indication in the proposals of how much the current qualifying period would be extended by.
- 2.2 The groups who are most likely to be out of work for longer periods are those who face major barriers to employment (due to low levels of education and skills, and/or discrimination in labour market) – eg disabled people, some BME groups, lone parents seeking flexible employment.
- 2.3 Otherwise, lone parents are a group that could be adversely affected by a longer qualifying period; In their report on lone parents cycling between work and benefits undertaken for the DWP, Evans, Harkness

and Ortiz² report that, while the employment rate for lone parents has increased, and the number of lone parents leaving jobs has fallen, the rate of job exit is considerably higher for lone parents than for other groups even after personal and job characteristics are controlled for.

- 2.4 This proposal needs to be modelled to show how many people already benefit from extended payments, how many people would gain or lose, depending on the length of the qualifying period and which groups they would be.

Question 3. Should we introduce fixed period Housing Benefit awards for those customers in work?

- 3.1 For fixed period awards to succeed as a work incentive in the housing benefit scheme, in our view they would need to be carefully designed taking a number of factors into consideration. We outline these under question 4 below.

Question 4. What would be 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?

- 4.1 Family credit and working families tax credit were fixed awards for a six month period. In both cases, however, if the claimant lost his/her job during the period of the award, s/he could apply for a top up of income support or jobseekers' allowance³. There is no such fall-back for housing benefit. If the claimant's income falls, s/he may face homelessness if s/he then cannot meet a shortfall in the rent. It is therefore essential that the award be designed in such a way that it can be reassessed or topped up if the claimant's income falls, or if the claimant loses his/her job.
- 4.2 We would not want to see a return to benefit periods, which were administratively cumbersome both for local authorities and claimants. We would therefore prefer to see an indefinite award fixed for 6 months subject to reassessment, with 6 monthly updates of changes in circumstances.
- 4.3 Many working HB claimants will be in receipt of WTC which requires certain changes in hours worked to be reported, but otherwise requires

² M Evans, S Harkness and R Arigoni Ortiz, *Lone parents cycling between work and benefits* (DWP, Research Report 217, September 2004 – research findings)

³ FC/WFTC was taken into account as income

annual reporting of changes in income, subject to claimant choice to report more frequently. A long term objective is to better align HB with other benefits and tax credits (paras 7.4 and 7.9). In the interests of transparency, consideration should be given to how best HB awards can be aligned with WTC without introducing annual reconciliations or other features that would not be compatible with the HB scheme⁴.

- 4.4 Where a claimant's partner goes into work, consideration should be given to disregarding this change in income.
- 4.5 For those in work whose incomes do not vary, a fixed award will introduce a new 6 monthly reporting requirement which does not currently exist. There should be a simple way for claimants to report no changes in circumstances where this applies.
- 4.6 Local authorities need to work with the DWP and with HMRC so as to get across the message that HB can be claimed by those who are in work. We note from DWP research⁵ that Jobcentre Plus staff are hazy about HB entitlement for those in work. Jobcentre Plus staff need to be better trained so they can inform claimants about their HB entitlement when they move into work.
- 4.7 HMRC does not currently prompt eligible WTC claimants to claim HB. We recommend that the DWP works with HMRC to enable it to provide information about HB. Consideration should be given to whether HMRC could provide HB claim forms to those claiming WTC in the same way as Jobcentre Plus provides forms to those claiming IS/JSA.
- 4.8 "Income" increases which are ignored should be defined to include WTC, so that increases in WTC where earnings fall should be ignored for the purposes of a fixed HB award.

Question 5. What is the level of rent above which it would not be reasonable for the taxpayer to offer support?

- 5.1 HB rates need to be safeguarded at a level which ensures the aims of the scheme are met, and enables families to secure good quality accommodation, see above. If rates of HB fall below this level, this will create shortfalls which have to be met from family benefit income, overcrowding of families into smaller and more affordable units, or into poor quality inexpensive accommodation. At worst it will create

⁴ Annual reconciliations would be unworkable for HB, since the claimant will have spent the benefit received on paying the rent and will have no means to refund an overpayment.

⁵ Housing Benefit and Council Tax Benefit as in-work benefits; claimants and advisers' knowledge, attitudes and experiences by Caroline Turley and Andrew Thomas DWP Research Report no 383

homelessness. If HB is not paid at an adequate level this will push families into acute housing need and contribute to child poverty.

- 5.2 We accept that an administrative “rent stop” is necessary within the HB scheme to avoid inappropriate public subsidy of housing which is clearly unreasonably large or luxurious. However, we do not accept that this justifies restrictions which have the effect of excluding benefit claimants from particular areas, for instance parts of London, or which adversely affect particular groups of people, for instance large families.
- 5.3 Concerns are raised about landlords charging above the market rates for properties rented by HB claimants. However, it was foreseen from the inception of the LHA scheme that this may be an inevitable consequence of the transparency of the system. Where rents are excessive, it is CPAG’s long-held view that this is a housing problem and should be addressed through housing policy and not through the benefit system.
- 5.4 We fear that restricting HB in such a way as to exclude claimants from parts of London will create ghettos, will unfairly exclude benefit claimants from areas where they have local links, family ties and work opportunities.
- 5.5 We oppose the restriction of the size criteria to 5 bedrooms. In effect this labels larger households as being too expensive for the tax payer to support, when in fact HB for smaller households is likely to be relatively more costly. In our view, singling out this group for unfavourable treatment unfairly discriminates against large households. We recommend that consideration be given to allowing local authorities discretion to award HB for more rooms for larger households.

Question 6. How should we set benefit rates at an appropriate level so that they reflect the housing choices of other working households not eligible for benefit?

- 6.1 It is important to ensure that working households not eligible for benefit can access high quality housing rather than reduce the quality of provision for those reliant on benefits. Increasing take up (and entitlement) of in-work housing benefit, and other forms of in work support, is essential to reduce levels of in-work poverty, and ensure that all low income households have the support needed to access high quality housing.
- 6.2 We understand research is under way to look at rents paid by working households who earn just above the HB threshold. We would suggest awaiting the outcome of this before formulating any proposal of this kind, and then consulting at that stage.

Question 7. How could we set benefit rates to reflect different market conditions in different areas?

- 7.1 It is difficult to answer this question without more information about what lies behind it. LHAs are set according to local conditions in BRMAs. It seems likely that smaller BRMAs more closely reflect local conditions, although this will produce gainers and losers overall. However, the government has already legislated following the Heffernan case⁶, to enable larger BRMAs to be used.

Question 8. Would excluding the most expensive rents when setting Local Housing Allowance rates result in fairer levels of benefit?

- 8.1 Housing benefit shortfalls for tenants in the private sector have been a long standing problem for claimants. It is not acceptable that claimants should be left with income below subsistence level after paying their housing costs, when a supply of good quality affordable accommodation is not available. The greatest success of the LHA, at least in the Pathfinder areas has been the reduction of the shortfalls claimants have to meet in their rent. We understand further research is to be published next year on the rolled out scheme, which differs in a number of important respects from the Pathfinders. Hopefully this will include further information about what success the rolled out LHA scheme has had in dealing with shortfalls, and more evidence to explain why this has been the case.
- 8.2 It is suggested that removing the top 5-10 per cent of rents in a calculation would bring the LHA into line with the LRR. However this would presumably reintroduce the levels of HB shortfalls which existed under the LRR. In our view this would negate the success the LHA has achieved. Claimants already only have access to the lower half of the housing market. Excluding the top 5-10% of rents, would mean that they would have access to an even more restricted band of the housing market, still further reducing choice, contrary to the objectives of the LHA scheme.
- 8.3 Although it is right that the formula for setting the LRR excluded unusually high rents, it also excluded unusually low rents. It then divided the result by two to establish the midpoint. The LHA rates in the Pathfinder areas were set in the same way. The difference was that “property specific” determinations were no longer made. Our

⁶ *R(Heffernan) v The Rent Service* [2008] UKHL 58.

understanding is that shortfalls were reduced significantly in the Pathfinder areas, on the basis of the same formula as that used in the LRR scheme⁷. It is therefore not clear to us why the exclusion of higher rents in the formula for working out the LRR has now been identified as the factor which has resulted in maximum rent under the LHA scheme being higher than that under the LRR scheme.

- 8.4 The rolled out LHA scheme differs from both the LHA pathfinders and the LRR in that it uses the median instead of the midpoint. However at the time this change was introduced no information was given about what, if any, difference it was likely to make. Our understanding is that this will depend on the spread and pattern of market rents in any given area. It seems more research is needed on this issue

Question 9. How should we set appropriate Housing Benefit areas?

- 9.1 We assume this question is asking about the following points in the paper:
- Whether areas with similar benefit levels should be grouped together to arrive at a national series of benefit rates divided into bands
 - Whether indicators such as distance travelled to work by low income workers should be taken into account in setting BRMAs.
- 9.2 We would be concerned about a simplified national banding scheme as this seems likely to be less responsive to local rent levels than the current BRMA scheme. It is also not clear what would happen if rental values increased or fell suddenly in an area because of local factors. We would need to know more about how such a scheme would work in practise to be able to comment more fully.
- 9.3 Distance travelled to work would appear to be a relevant factor in setting BRMAs if these are aimed at reflecting areas within which people could reasonably be expected to live.

Question 10. Should the Local Housing Allowance size criteria be adjusted?

⁷ And see for instance Local Housing Allowance Final Evaluation: Implementation in Brighton and Hove p 34-35.

10.1 We agree that the size criteria should be adjusted. This could be simply and flexibly achieved by including an element of local authority discretion in regulation 13D Housing Benefit Regulations 2006. Alternatively, additional categories could be included where an additional room is allowed

10.2 The following issues have been reported to CPAG on our advice line:

Where two children under 10 or two children of the same sex have not been able to share a bedroom. One example is as follows:

A claimant renting a 3 bedroom house where she was only entitled to a 2 bedroom house. She had two daughters, one of whom had severe and uncontrollable epilepsy. Her social worker and occupational therapist agreed that the two girls needed separate bedrooms.

Where two members of a couple are not able to share a bedroom. Examples which have been reported to us include:

Partner A is blind, has mini strokes, epilepsy, diabetes, MRSA. Partner B has degenerative disc disease, arthritis, and spinal issues. They cannot sleep in the same bed as if Partner A has a seizure and knocks Partner B, she could be injured. Partner B needs to sleep in a single bed with monkey bars, pushed against a wall.

Children being adopted or fostered

We have had a number of cases reported to us where the claimant cannot get an extra room for a child who is being fostered. In one of these cases the local authority had specified that the fostering allowance paid to the family was not to be used to pay rent. Children are not counted as occupiers whilst they are placed with a family pending adoption. It is not clear how the child's accommodation is meant to be funded in these circumstances.

10.3 We recommend that consideration be given to mitigating the effect of restricting the size criteria to 5 bedrooms by introducing an element of local authority discretion to allow more than 5 bedrooms in larger households, where for instance there are disabled children or other family members.

10.4 We recommend that the shared room rent should be abolished. This discriminates unfairly against claimants aged under 25, and we believe it contributes towards homelessness and hardship for younger claimants.

Can discretionary housing payments alleviate these situations?

10.5 Discretionary Housing Payments (DHPs) designed to alleviate hardship caused by shortfalls. Local authorities often make these payments on a short term basis, taking the view that claimants should move to cheaper alternative accommodation. In our view, although they are

helpful, DHPs are not adequate to safeguard claimants who may have long term housing needs.

- 10.6 Although they are helpful in some circumstances, discretionary payments are no substitute for entitlement to benefit. They are less generous in that local authorities can take any income including disability benefits into account in determining eligibility. If the local authority's budget for the year is used up, they may not be available at all. DHPs require an additional claim, can take a long time to assess, and where DHPs are refused, local authorities' review procedures are also often lengthy.

Should the age at which a young person qualifies for a separate bedroom be raised from 16 to 18 to pay for additional rooms in the size criteria?

- 10.7 Again, there is no information about how many people would be affected by the proposals to make the size criteria more generous, how much it would cost, or how much would be saved by this proposal to restrict the size criteria for 16-18 year olds.
- 10.8 More generous size criteria for other groups will generate their own savings in local authority housing assistance for families in unsuitable accommodation. They will also create savings in the DHP scheme. We therefore do not believe that savings need to be made elsewhere in the HB scheme to pay for them.
- 10.9 We do not support this proposed restriction on the size criteria. We believe this will increase overcrowding in families, make it difficult for young people to study at home and increase the pressures on them to leave home, further increasing youth unemployment and homelessness.

Question 11. Should Housing Benefit be extended to provide for an extra bedroom where there is an established need for a room for a non-resident carer?

- 11.1 Where the claimant has a full time carer s/he counts as an occupier for the purposes of the size criteria and the claimant can get HB to cover the rent for the carer's room. The problem arises where the claimant has temporary "rolling carers" who do not normally occupy the claimant's property as their home. CPAG has had the following examples reported on its advice line:
- A disabled person with full time care provided by several carers who alternate over and between weeks.
 - A disabled person who sometimes needs a live in carer who sleeps over.

- A disabled person who has carers who in some cases count as occupiers and in other cases do not count as occupiers.
 - A disabled person who has two carers, one for the day and one for night time care. The night time carer sleeps over, but has a home elsewhere.
- 11.2 CPAG agrees that in these cases the size criteria should allow for an additional room. In our experience this is one of many areas where the benefit system does not dovetail as it should with community care services provided by social services. Disabled HB claimants have often had community care assessments carried out by social services, who expect HB to meet the cost of accommodating a carer. The disabled person who may be vulnerable, is often caused very considerable distress and hardship when s/he finds that the HB scheme does not readily meet this cost.

Non dependent deductions

- 11.3 We submit the rules on non dependent deductions need to be amended in respect of carers. Otherwise claimants with disabilities may have non-dependent deductions made for carers who are treated as occupiers, and these may completely wipe out the benefit of allowing an additional room in the size criteria.
- 11.4 At present no non dependent deduction is made for a resident carer employed by a charitable or voluntary organisation where a charge is made for the carer's services. In our view this needs to be broadened to include carers who are employed by local authorities, by claimants themselves, or who are not paid.

Question 12. Is there a case for providing for an extra bedroom in the size criteria to help parents who need to care for non-resident children if there is evidence that working households can do so?

- 12.1 The issue of whether a separated parent with shared care of a child can have an additional bedroom for that child continues to be one on which CPAG receives queries. In these circumstances the current interpretation of the rules is that it is only the parent who receives child benefit who can have a room included in their housing benefit for the child. In our view, where care is shared equally between two parents, both households should be able to include the child as an occupier.

Question 13. Should Housing Benefit entitlement be conditional on property meeting certain standards?

- 13.1 CPAG agrees that 'poor property conditions impact disproportionately on low income households' and, we welcome recognition of the need to focus more on the behaviour of private landlords. Nevertheless, we believe that housing standards, including environmental standards, are

a matter of housing policy and not something that could or should be addressed through the benefit system.

- 13.2 HB is the entitlement of the claimant tenant, and not of the landlord. If attempts are made to use HB as a tool to improve standards, the likelihood is that rather than achieving this aim, claimants will suffer shortfalls and even greater difficulty in finding accommodation.
- 13.3 Housing standards need to be improved for all tenants, and not only those claiming HB. Making direct payments or any other HB conditions dependent on property standards is likely to provide a further disincentive for private landlords to let to HB claimants.

Question 14. Should a direct payment to the landlord be linked to the property meeting a certain energy or quality standard?

- 14.1 With regard to question 14, we take the view that direct payments should be a matter of claimant choice, as the paper recognises at para 6.10. We therefore do not think that they should be linked to the landlord's behaviour.
- 14.2 We believe standards of repair and energy conservation are best dealt with by tighter regulation of landlords by Communities and Local Government (CLG).

Question 15. We would welcome views on how Housing Benefit can contribute to the delivery of improvements in the standard of private sector housing for tenants.

- 15.1 This question appears to be linked to a proposal to establish local lettings agencies, and whether HB could contribute to this.
- 15.2 We note the government is recommending local authorities set up these lettings agencies. We recommend consideration be given to streamlining the process for claiming housing benefit for claimants seeking accommodation via these agencies so that claims can be made and determined swiftly.

About CPAG

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement.

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