Housing Rights

Policy Briefing
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The Impact of Welfare Reform on Housing

Presentation by Housing Rights to the All Party Group on Housing

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when everyone has a home

1. Housing Rights – who we are:

1.1. Housing Rights has been helping people in housing need for over fifty years. As the leading provider of independent specialist housing advice in Northern Ireland, we helped over 11,500 people last year, with almost 43,000 housing issues.

1.2. At Housing Rights we provide advice, assistance and advocacy. In addition we support front line practitioners by providing an information and training service. Our policy work is based on the experience of our clients and aims to support the identification of evidence based, user informed solutions.

1.3. Our role means that we are perfectly positioned to understand the impact of welfare reform on people in Northern Ireland's capacity to meet their housing costs.

1.4. This morning we would like to outline some of our key concerns regarding the impact of these reforms. In addition, Housing Rights views there to be a number of changes which could be made which could potentially improve the situation of those impacted by welfare reform.

2. Our contribution:

2.1. At the outset it's important to say that whilst some of the welfare reforms which impact housing have only recently been introduced, the government's programme of Welfare Reform has been ongoing since 2008 when the Local Housing Allowance (LHA) system of awarding housing benefit to those living in the private rented sector was introduced.

2.2. The commencement of the rollout of Universal Credit which began last year, therefore, is only the latest wave of this programme and follows the introduction of the Benefit Cap in 2016 and Social Sector Size Criteria in 2017 alongside the associated mitigations. These changes occurred alongside changes to Support for Mortgage Interest (SMI) which took effect initially from 2016.

2.3. This is significant since the most recent waves of welfare reform have compounded an already fragile housing environment for people on low incomes. Prior therefore to the most recent changes, we have understood concerns relating to affordability across the housing market, to be acute. Welfare reform has therefore, not discriminated by housing tenure.

3. Key areas of concern:

3.1. <u>Housing Rights is concerned that the most recent waves of Welfare Reform are compounding the difficulties faced by those on low incomes.</u>

3.1.1. For people on low incomes support available to meet housing costs has been narrowing across the board. This is particularly true in the Private Rented Sector (PRS).

3.1.2. 16% of people in NI rent from private landlords. Roughly equivalent to size of social sector. Despite this comparatively little attention has been given to the financial situation of private renters. This is especially problematic in light of the proposed increased use of the PRS particularly for those who are homeless.

- People who live in the private rented sector who receive Housing Benefit have had the rate capped at the LHA rate since its introduction in 2008. LHA is based both on the number of bedrooms required and the rent levels in a defined local area. Arguably the social sector size criteria or ‘bedroom tax’ has therefore been in effect in the PRS for a decade.
- In the intervening years there has been a progressive reduction in the formula used to calculate the LHA rate which has resulted in significant reductions in support available to private renters. In 2011, this rate was reduced from a rate which covered 50% of the market rent, to only the bottom third of the market at 30%.
- In Jan 2012 the shared room rate (Under 35 single) was introduced. This means that Housing Benefit claimants under 35, living in the private rented sector, are only entitled to enough Housing Benefit to pay for a single room in a shared house.

- Since 2013, LHA rates were initially capped at lower levels of inflation which meant that the rate's capacity to keep up with rent increases was reduced.
- Additionally, in 2016 it was announced that Local Housing Allowance rates would be frozen for 4 years until March 2020.

3.1.3. Access to financial support available to some low income owner occupiers who are having difficulties making their mortgage payments has also been reduced.

3.1.4. First with the extension of the waiting time to access the Support for Mortgage Interest benefit increasing from 13 to 39 weeks in 2016 and more recently in April 2018, with SMI's change from a benefit to an interest bearing loan. This has resulted in lower numbers of people being able to access support.

3.2. <u>Housing Rights is also concerned that there are deficiencies in the mitigation payments set up to address the shortfall left by the introduction of the bedroom tax and the benefit cap.</u>

3.2.1. With the introduction of both the Social Sector Size Criteria and the Benefit Cap, Welfare Supplementary Payments or 'mitigation payments' as they are sometimes called, were also introduced to mitigate the impact of these reforms.

3.2.2. Whilst some protection is obviously better than none, it is our view that there are 3 key weaknesses with the mitigation payments:

1) Mitigation payments are *temporary* – at maximum they last until 2020, but as we have already seen some people have already lost entitlement.
2) Mitigation payments are *not absolute* – change of circumstances is often enough to trigger a loss of entitlement. Housing Rights has also seen difficulties in succession cases where people have taken on a social property following the death of e.g. a relative who was a long term tenant and who have lost protection from the mitigation.
3) Mitigation payments are *not comprehensive* – Welfare supplementary payments are predominantly safety nets for those living in the social rented sector and impacted by SSSC. WSP are only available to those

living in the private sector in specific circumstances if they are impacted by the Benefit Cap.

3.3. <u>Housing Rights is concerned that the design of Universal Credit will remove or weaken previously existing safety nets.</u>

3.3.1. Whilst the roll out of Universal Credit (UC) is ongoing and there is naturally a bedding in period, Housing Rights has some initial concerns regarding the design of UC. We would be happy to give the APG a fuller brief on the emerging housing impacts of UC at a later date. However for now, to say that the design of UC has meant that previously existing and relied upon safety nets no longer exist.

3.3.2. This is most usefully demonstrated in a case study.

Client was a father, aged 33, with access to 2 children. Client was residing in a 2 bedroom PRS property. Client was employed as a chef for the past 15 years and was paying full rent of £110 per week. Restaurant closed down overnight and father had to go on Jobseekers Allowance and had to apply for Housing Benefit. Client discovered he would only be entitled to Shared Accommodation Rate of approx. £45 per week, facing a £65 shortfall to make up out of other benefits. Understandably, this was unaffordable for client. Client faced eviction and ex-partner threatened to apply to remove access. Government rules had determined in the client's circumstances financing shared accommodation is proportionate. Housing Rights intervened and applied for "13 week income shock protection" under Housing Benefit, which meant his full contractual rent could be paid, this safeguarded his tenancy while he looked for new employment. Client obtained employment after 15 weeks. A small DHP was applied for during the 2 weeks of Shared Accommodation Rate; while the DHP paid £30, this still left client with shortfall of £35 per week. Client accrued an arrear during this time. Fortunately re-employment alleviated this client's situation.

3.3.3. It is important to note that the mechanism which allowed Housing Rights to help this man stay in his home has been removed under Universal Credit. The "13 week income shock protection" will no longer be an option.

3.3.4. Similarly, two other mechanisms routinely relied upon by our advisers to keep people in their homes; overlap and death protection also no longer exist or have been reduced. Overlap payment; when Housing Benefit is provided to maintain two properties to allow rent to be covered in a new property while a notice period expires in a former property has been removed with the introduction of UC. Death protection; when Housing Benefit is provided to someone whose partner or child (who is part of their HB claim) dies, payment continues for 12 months to give breathing space. Under UC this payment is reduced to 3 months. Additionally, access to assistance from discretionary support is now much more restrictive and it remains unclear what protection will be provided to those transitioning to Universal Credit from other benefits from next summer.

4. Beyond 2020:

4.1. Having outlined our key concerns with the implementation of the current programme of welfare reform, Housing Rights is also worried about what will happen when the limited protection which exist for some people (the mitigation payments associated with Bedroom Tax and Benefit Cap) run out in 2020.

4.2. As members will be aware, welfare supplementary payments are unique to Northern Ireland. Elsewhere in the UK, these payments do not exist and instead local authorities rely on Discretionary Housing Payments (DHPs) which can also be used to make up such a shortfall. DHPs are also available in Northern Ireland, though their use is significantly narrower than elsewhere in the UK.

4.3. In Northern Ireland DHPs can only be used in limited circumstances. In the private rented sector, anyone whose local housing allowance is restricted and doesn't cover the full rent, can apply for a DHP to make up the shortfall. In the social rented sector there are only certain circumstances in which someone can apply for a DHP, these include those who are impacted by the abolition of the family premium and those who are impacted by Benefit Cap and whose supplementary payment does not cover the full shortfall.

4.4. This narrowness was highlighted in a case we assisted with:

Our client was awarded a 3 bedroom property following a homeless presentation to NIHE. Couple and dependant – child suffers from extreme autism and associated conditions.

The new 3 bedroom property was provided following medical recommendations – child required additional safe room/quiet room during periods when his episodes occurred. He was often aggressive and a danger to himself and others. Room had reinforced glass, door position changed etc. Client was subsequently assessed as impacted by SSSC due to this extra room. Our client was in receipt of a welfare supplementary payment to make up the shortfall in Housing Benefit caused by the bedroom tax.

However they contacted us as they were concerned that this payment would run out in 2020 and there was no other support available to help them make up the shortfall in housing benefit caused by the SSSC.

Housing Rights lodged an appeal against this decision on 2 grounds:

1) The main ground was that the operation of the bedroom tax here was discriminatory. The child needed this extra room due to his medical conditions / disability. In England and Wales, our client could have applied for a DHP to make up the shortfall in rent which was currently being met through a supplementary payment, but which was due to expire in 2020. In NI, this option wasn't open to them.

2) Further grounds of challenge– need for carer and failure by NIHE to assess a rent rebate due to adaptations which would have meant an exemption from SSSC.

NIHE has been very sympathetic and it has proceeded to issue supersession decision. Assessed client as not impacted by SSSC due to need for overnight carer. As the client is now not deemed to be under occupying, there will be no reduction in their benefit and no need for a supplementary payment. The outcome is therefore excellent for the client but it raises concern for us as it demonstrates that there are gaps in our DHP policy. Gaps which people will fall through once the mitigation payments run out in 2020.

4.5. This point is also significant because of the ruling of the Supreme Court in this area. In 2016, the Supreme Court issued judgements regarding the discriminatory impact of the so called bedroom tax on people with disabilities. Whilst there were certain cases in which the Court ruled that the impact of the bedroom tax was unjustified, and for which changes to the policy have been made. Generally speaking however, the Supreme Court ruled that the impact of this policy on those with disabilities is discriminatory, but that such discrimination is justified as these claimants can seek protection from DHPs. In Northern Ireland, as this case demonstrates, this safety net does not exist.

4.6. Looking beyond 2020, which is now less than 18 months away, Housing Rights feels therefore, that significant attention should focus on Discretionary Housing Payments.

4.7. Critically, despite the narrow restrictive use of DHPs in Northern Ireland, the budget allocated to the NIHE, which manages the DHP fund, is made in line with the budget made to Local Authorities in GB.

4.7.1. The DHP budget for last year, 2017/18 in Northern Ireland was £7.226m. Less than half this budget was spent with DHP payments last year totalling £3.6m.

4.7.2. It is our understanding that there is no provision for the NIHE to redirect this underspend and the resource is therefore lost to housing, despite the need we know to exist on the ground.

4.8. Housing Rights would like to make two points on this matter:

4.8.1. **Even under the current DHP system, support could be improved**. Whilst increasing the circumstances in which DHPs can be paid would likely require an amendment to the Discretionary Financial Assistance Regulations, there are practical measures which can be put in place to increase access to DHPs now, which do not require an Assembly or legislative change.
For example, in England, the DHP Good Practice Guide recommends Local Authorities point to the availability of DHPs when contacting claimants who are due to be affected by a benefit decision. Efforts should be made to increase access to DHPs, particularly for those in the private rented sector through promotion.

4.8.2. The particular regulations which govern the use of DHPs in NI were most recently amended in 2017 at a time when no Assembly existed and when no scrutiny could be conducted by the Communities Committee. In our view, had the Committee been in operation, meaningful consideration and consultation could have prevented the amending of these regulations to restrict the use of DHPs to extremely narrow circumstances. **There is therefore an urgent need for these regulations to be reviewed.**

4.9. Very clearly, important decisions need to be made about the potential for mechanisms such as DHPs to be used to support people with their housing costs, now and post 2020. It is currently unclear to what extent the Department for Communities, which governs both the social security policy and the housing policy for Northern Ireland, is ensuring that consideration is given to the impact of the former on the latter.

In England, social security decisions are made by the Department for Work and Pensions, and decisions regarding housing made by the Department for Communities and Local Government. In Northern Ireland we have a unique opportunity, with both policies being made within one Department, for there to be strategic consideration of the impact of social security policy on housing policy.

5. Conclusion

5.1. To summarise there are five key points

1) Welfare reform is tenure neutral – regardless of where you live, if you need government help with your housing costs in Northern Ireland, decisions made about social security changes will affect, or have already affected your ability to meet your housing costs. Despite this, policy attention and policy solutions, even those which are short term, have focussed largely on the social rented sector.
2) Short term mitigation payments established to temporarily protect against the harshness of the Benefit Cap and the Bedroom tax, are absolutely better than nothing, but there are key weaknesses.
3) The introduction of Universal Credit, whilst still in its infancy, will present difficulties to those who are trying to assist people to stay in their homes. Commonly relied upon safety nets which existed under housing benefit, no longer exist under the housing costs element of UC

4) The weaknesses of our current system of mitigation payments and the fact that they run out in 2020, illustrate the pressing need for a review of the DHP regulations and associated policies in Northern Ireland. People in Northern Ireland will be significantly less well catered for than those elsewhere in the UK, if this does not happen.
5) There is an opportunity for greater synergy between social security and housing policy decisions made in Northern Ireland as both functions reside in one Department. Members may wish to ask the Permanent Secretary of the DFC what consideration is currently being given by social security officials within his Department to examine the impact of their decisions on housing and what priority his Department attach to such work.

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