

**Shelter's response to the  
Department for Work and  
Pensions consultation –  
Supporting people into work:  
the next stage of Housing  
Benefit reform**

**From the Shelter policy library  
February 2010  
[www.shelter.org.uk](http://www.shelter.org.uk)**

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**Shelter**

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people a year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 advice centres
- Shelter's free advice helpline which runs from 8am-8pm
- Shelter's website which provides advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include housing support services, which work with formerly homeless families, and the Shelter Inclusion Project, which works with families, couples and single people who are alleged to have been involved in anti-social behaviour. The aim of these services is to sustain tenancies and ensure people live successfully in the community.
- A number of children's services aimed at preventing child and youth homelessness and mitigating the impacts on children and young people experiencing housing problems. These include pilot support projects, peer education services and specialist training and consultancy aimed at children's service practitioners.
- We also campaign for new laws and policies - as well as more investment - to improve the lives of homeless and badly housed people, now and in the future.

## Introduction

Housing is currently very expensive. Supply of affordable housing is at record lows and capping rents in the private rented sector (PRS) has historically been discredited. Therefore, Housing Benefit (HB) is the main policy tool we have to ensure people have affordable homes to live in. Despite years of debate, the HB system introduced in 1982 had many shortcomings. HB remains a hugely complicated and confusing system which is long overdue for reform. Between 1<sup>st</sup> February 2009 and 31<sup>st</sup> January 2010, 4,111 households received advice from Shelter where HB or Local Housing Allowance (LHA) was one of their presenting problems. Many of the questions posed in this consultation provide a good step forward and a good starting point for future reforms to HB. However, we urge the Government to be mindful that reform should be in the context that the main purpose of the HB system should be to help people with low incomes to afford decent accommodation.

When consulting on how HB reform can support people into work, it must be remembered that a large proportion of HB claimants are unable to work: approximately seven out of ten retired households in the social rented sector and half of retired households in the PRS were in receipt of HB in 2007/08.<sup>1</sup> In addition, nearly nine out of ten economically inactive households in the social rented sector and around half of economically inactive households in the private rented sector were in receipt of HB in 2007/08.<sup>2</sup> The unintended consequence of reform to support people into work must not be to penalise people who can't work.

We welcome the Government's proposals to make changes to the HB system to support people into work and sustain employment. For those who are able to work, HB can act as a huge disincentive to enter work and people can often find themselves financially worse off when they first enter employment (known as the unemployment trap). The higher rents in the private rented sector also make it particularly difficult for claimants to increase their net disposable income when they increase their earnings (known as the poverty trap)<sup>3</sup>. The system is also highly sensitive to changes in circumstances. Any fluctuation in income can affect a person's entitlement. This can lead to bureaucratic and financial complications, especially for someone taking up a temporary or seasonal job with fluctuating hours.

We are pleased that the consultation proposes to make changes to the system of LHA. While we support the Governments underlying principles of LHA we feel there are still problems with the system that need to be addressed to make it efficient, fair and fit for purpose. Shelter has conducted extensive research on LHA, both at the pathfinder stage and since its national roll-out.<sup>4</sup> In particular, we are pleased to see the consultation is seeking views on how appropriate boundary areas used to calculate HB should be set.

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<sup>1</sup> Survey of English Housing, *Table S431: Households saying that they receive Housing Benefit and average rent after benefit, by economic status, 2007/08.*

<sup>2</sup> *ibid*

<sup>3</sup> Cannizzaro, A., *Impact of rents on Housing Benefit and work incentive*, Working Paper No 38, DWP, 2007.

<sup>4</sup> See the Shelter policy library [http://england.shelter.org.uk/professional\\_resources/policy\\_library](http://england.shelter.org.uk/professional_resources/policy_library)

Our research has shown that over 80 per cent of claimants find it difficult to find a home that is affordable within their LHA budget.

We are disappointed, however, that the consultation fails to address one of the biggest issues highlighted by claimants, private landlords, voluntary organisations and local authorities – that presumption of payment to the claimant is not working. Our research shows that most claimants with experience of both payment of LHA direct to their landlord and to them would prefer the former.

We are also concerned with proposals in the consultation that seek to link HB to housing conditions and energy efficiency, placing responsibility on the tenant. Whilst we recognise that standards of accommodation are important, the overriding purpose of HB should be to assist people on low incomes to afford their rent. Housing standards are the responsibility of landlords. Tenants cannot be expected to carry out costly improvement works to their homes, particularly when they have limited security of tenure deterring a long-term interest in the property, nor assess a home's condition appropriateness for HB rules. An unintended consequence of linking HB to housing standards would be to reduce supply and thereby make it even more difficult to for people on the lowest incomes to find an affordable home.

Finally, we are very concerned that the focus of the consultation is the level of benefit deemed appropriate to the taxpayer. The rising HB bill is a result of the shift away from bricks and mortar investment in social housing, the deregulation of private rents and the increasing reliance on the private rented sector to house people in desperate need of a home. Attempts to reduce the HB bill by further restrictions in payment will only lead to increased shortfalls and therefore poverty, homelessness and social exclusion. We need to be asking more fundamental questions concerning the supply of affordable and accessible properties for benefit claimants, rather than using the benefit system as a blunt tool for housing stock improvements.

In response to the consultation questions a summary of our recommendations are set out below:

### **Summary of Shelter's recommendations**

- The in-work payment should run alongside the existing HB run-on or extended payment scheme. The in-work payment should be fixed for three months at the rate of pay immediately before the claimant moves into work with a qualification period of a year.
- The fixed period award should be for six months and unaffected by changes in circumstances including changes in income and earnings. Claimants should retain the option to seek reassessment if they experience a significant drop in income and there should be no clawback of overpayments after the six months.
- We strongly oppose the suggestion that LHA rates should be capped at a rate that is "reasonable to the taxpayer" or that compares with rents paid by non-claimant households. Claimants already struggle to find accommodation that is both affordable and accessible. The Government would be better to focus their resources on addressing the practical reasons of why many landlords are reluctant to let to benefit claimants.

- We urge the Government not to introduce a blanket policy of removing the most expensive rents from the LHA calculation. We strongly disagree that excluding the most expensive rents in every area would result in fairer levels of benefit. In some areas, such as London, exceptionally high rents can distort the market, however in many areas this is not the case.
- The underlying principle of BRMAs should be to provide a geographical boundary by which benefit rates are calculated to ensure fair access to affordable properties for benefit claimants in the PRS. These should reflect wider policy changes such as mixed communities, welfare to work, and use of the PRS in homelessness prevention strategies. Any changes made to the boundary areas need to be made on the basis of a full impact assessment of how these changes would affect claimants' levels of shortfalls and access to affordable housing. The Valuation Office Agency would be best placed to model different scenarios to assess the impacts on benefit rates.
- We do not agree with proposals to raise the age at which a young person qualifies for a separate bedroom from 16 to 18 years.
- We strongly agree that the rules should be extended to include the extra needs of disabled people. This should include the needs of a non-resident carer but also for households where it may not be possible for members to share a bedroom due to ongoing health or disability needs.
- HB entitlement should not be conditional on a property meeting certain standard. Improvement of conditions in private sector housing should be introduced for all tenants, not just those claiming housing benefit.
- There is no merit in linking direct payment to the landlord to properties meeting a certain quality or energy standard. These proposals do not present an acceptable alternative to a straight return to giving tenants choice over how their LHA is paid.
- Over the long term measures need to be undertaken to address the HB taper. The steep withdrawal rate continues to be a problem for households once they have used transitional incentives to get into work. Longer term work in this area should prioritise reforming the interaction of benefits and tax credits to reduce marginal deduction rates (MDR).

## Supporting people into work

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

We strongly support the 'transition into work' payment. This would help address the financial difficulties many claimants face when they move off benefits and into employment. The two most critical issues for claimants during this period is the loss of payments towards the rent and the unforeseen costs associated with moving into work, such as travel, clothes and childcare. Research has found that children in families that

make two or more transitions between work and benefits are one of the groups most at risk of severe and persistent poverty<sup>5</sup>. John Hills in his review of social housing stated that: '*fear of the loss of support of Housing Benefit can be an important barrier to seeking work*'.<sup>6</sup> A DWP report which examined the impact of current HB/CTB rules on claimants' work incentives also supports this. The research found that claimants were afraid of losing the security of having their full rent and council tax paid.<sup>7</sup>

Shelter's recent research on LHA<sup>8</sup> asked claimants if changes to the benefits system would help them take up employment. When we asked claimants if a continuation of the out-of-work rate LHA rate for three months after employment starts would help them consider work, 58 per cent agreed. In addition, claimants made the following comments:

*'The first few months that would be a big help because that's exactly when we struggle. The first three months we struggle to apply, to cope with everything. After being a while unemployed. That's very good actually. Very good.'*

*'It would be very helpful because nine times out of ten the kind of jobs I get would be monthly paid. You know, you're waiting, depending on what time of the month you start the work it could actually be six weeks until you get paid, which is what happened in the last job. So I was behind with everything just in that first month, and then the second month you're playing catch up. So for a good four to five months you don't really get on top of things.'*

The current extended payment or run-on scheme in HB can provide claimants with a 'safety net' or 'financial cushion' to attempt to enter employment. DWP research conducted in 2002 found that knowledge about the run-on scheme made claimants more willing to seek work due to the financial security and the improved administrative process if the job didn't work out.<sup>9</sup>

## **2. What would be the main features of such a scheme?**

Therefore, we would be supportive of extending the current system providing this does not adversely affect those claimants who are currently eligible and take advantage of the run-on or extended payment scheme. Shelter would like to see the proposed 'transition into work' payment to run alongside the existing extended payment or run-on scheme. The existing arrangements still has a part to play for those claimants who have been out of work for at least six months and are guaranteed a job for at least five weeks.

We propose that the additional in-work payment should be fixed for three months at the rate of pay immediately before the claimant moves into work, with a qualification period of a year but without the restrictive condition of guaranteed employment for five weeks. We know that for many people at the lower end of the labour market work, often insecure,

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<sup>5</sup> Adelman, L., Middleton, S. And Ashworth, K. (2003) *Britain's poorest children, severe and persistent poverty and social exclusion*, London: Save the Children.

<sup>6</sup> Hills, J. *Ends and Means: The future role of Social Housing in England*, Case report 34, Centre for Analysis of Social Exclusion, February 2007.

<sup>7</sup> Turley, C. and Thomas, A. *Housing benefit and council tax benefit as in-work benefits: claimants' and advisors' knowledge, attitudes and experiences*, DWP, Research Report No. 383, 2006.

<sup>8</sup> Frost et al, *For whose benefit? A study monitoring the implementation of local housing allowance*, Shelter, December 2009.

<sup>9</sup> Harries, T. and Woodfield, K. *Easing the transition into work: A qualitative evaluation of transitional support for clients returning to employment*, DWP, Research Report No. 243, 2002

seasonal or temporary, may not be guaranteed for this length of time. Payment should also be automatic, without the necessity for people to make a specific claim. Claimants shouldn't have to report change in circumstances, other than change of address during this time. Wages during this period should then be used to fix the in-work benefit for the next six months.

### 3. Should we introduce fixed period awards for those customers in work?

Yes, Shelter is strongly in favour of these proposals. For many people in low paid or insecure employment, the fluctuation in hours and/or pay mean the requirement to report every change in circumstances can further act as a barrier to work.

The recent Marmot report into health inequalities found that 'those who move in and out of employment risk falling into poverty, as the benefits system fails to respond to changing situations. The rules do not reflect how swiftly people's circumstances change and how medical conditions fluctuate'.<sup>10</sup>

Delays in administration by the local authority or failure to provide the correct information can often lead to claimants being over or underpaid. Although housing benefit administration has improved, the average time taken to process a claim in 2007/08 was still 27 days<sup>11</sup>. The slowest 15 percent of local authorities at processing claims took an average of 39 days<sup>12</sup>. Additionally, overpayment recovery and claw-back rates cause significant financial difficulties for many claimants, which can often lead to rent arrears or even eviction. In some circumstances the local authority can also suspend a claim if they have reason to think the information they have for the claimant is inaccurate.

#### Case study

A Shelter advisor reported a client who was working part-time (less than 30 hours) with an income of £94 per week. He had a shortfall of £18.00 per week between his HB and his rent. Due to fluctuating working patterns the local authority had overpaid his HB but it had taken several weeks before this had been noticed. The local authority were recovering £9 a week for the overpayment from his weekly payments but combined with his shortfall and minimal payments for his rent arrears the claimant was expected to pay approximately £30 per week (a third of his weekly income) to prevent his landlord from taking possession action.

#### Case study

A Shelter client works part-time and lives with her 17 year old son who is in full-time education. When she first moved into her home she was on full HB and signed a 12 month tenancy agreement with a rent of £1000 a month. After her job started her HB was suspended in order to establish how much she earned and she got into £1000 of rent arrears. Thereafter, her HB payments fluctuated depending on how many hours she worked. She is still struggling to meet her full rent payments whilst paying off her arrears and the charges from her lettings agency for the delays in rent payment. Her landlord has subsequently served her notice of court action.

<sup>10</sup> Fair Society, Healthy Lives: The Marmot Review: Strategic Review of Health Inequalities in England post-2010 (February 2010), page 121

<sup>11</sup> Housing Benefit & Council Tax Benefit Quarterly Claims Processing Performance Statistics 2007/08.

<sup>12</sup> Written answers, 11 Mar 2008: Column 206W.

A study commissioned by DWP<sup>13</sup> found that the greatest disruption described by people when they entered work was the imbalance in their income and expenditure compared to when they were claiming benefits. The findings reported that it was most notable where gaps were created between existing income and wage earnings, or where the anticipated income from work was unpredictable. Cash flow problems can arise because HB is paid four weekly in arrears, whereas rent must usually be paid in advance and people on low incomes typically budget on a weekly basis. When Shelter surveyed over 450 LHA claimants<sup>14</sup> we asked them if having payments at a fixed amount for six months would help them consider work: 52 per cent agreed (compared to only 14 per cent who said it made little difference).

**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?**

Shelter strongly supports the option of a fixed period award for six months for claimants in work. This should be unaffected by changes in circumstances (apart from a change of address or household size) including changes in income and earnings. This would give people greater certainty over their housing benefit income and reduce the reporting burdens they face, as well as reducing the administrative burden on local authorities. It is important that the fixed period award includes the option to allow claimants to seek a reassessment within the six month period if they experience a significant drop in income. The fixed period award should also operate in a similar way to the family credit: after the fixed period has ended and a reassessment is made, there should not be the option for the local authority to recover any overpayments from the claimant.

**A fair and affordable system**

**Fair benefit rates and clearer benefit areas**

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

We strongly oppose the suggestion that LHA rates should be capped at a rate that is "reasonable to the taxpayer" or compared with rents paid by non-claimant households.

The main purpose of the HB system should be to help people with low incomes, whether they are in receipt of benefits or earnings, to afford decent accommodation without being forced into poverty and social exclusion. Housing benefit rates must be based on average

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<sup>13</sup> Harries, T. and Woodfield, K. *Easing the transition into work: A qualitative evaluation of transitional support for clients returning to employment*, DWP, Research Report No. 243, 2002.

<sup>14</sup> Frost et al, *For whose benefit? A study monitoring the implementation of local housing allowance*, Shelter, December 2009.

local rents so that claimants have access to a fair share of the local market. Failure to ensure reasonable access to the market pushes the poorest people into the poorest quality housing and neighbourhoods. If HB rates fall short of increasingly expensive rent levels, the ensuing shortfalls lead to poverty, debt, rent arrears and eviction.

It is also inappropriate to set HB rates to reflect the housing choices of non-claimant households because there are many households in receipt of HB who are unable to work and have specific housing needs that can only be met by specific types of property. For example, older people and wheelchair users may require a bungalow or especially adapted home. The scarcity of such properties may result in rents being much higher.

The only long term way to reduce the spiralling HB bill is to ensure that more people have access to affordable rents. Affordable rents enable more people on low incomes to move into work and escape poverty and benefit dependency. Access to affordable rents requires increased subsidies for the building of social rented housing (or a similar viable alternative), alongside wider increasing housing supply. It should also be remembered that, whilst some claimants may be looking for a new home and are therefore able to attempt to find housing within LHA rates, others may start a claim for HB having lived in the same home for many years. People who have worked and paid their own rent all their lives and then face a sudden loss of income, due to sickness, bereavement, job loss or retirement have to rely on housing benefit to meet their housing costs. If shortfalls ensue, they face spiralling debt or the loss of a long-term home.

At current benefit levels, claimants already struggle to find affordable and accessible property in the PRS. Shelter's research on LHA has found that 81 per cent of claimants find it difficult to find a home that was either at or below their LHA rate<sup>15</sup> and 60 per cent of landlords would not accept LHA claimants.<sup>16</sup> 59 per cent of claimants in our survey were paying a shortfall and 20 per cent had a shortfall of more than £25 between their LHA and rent paid.

In addition, some private landlords also justify charging slightly higher rents for households on HB in comparison to low-income working households to allow for perceived risk in letting to benefit tenants due to delays in HB administration. As the Rugg review of the PRS highlighted, many local authorities and other agencies generally have to offer substantial inducements to landlords to offset the perceived risk of letting to homeless households and/or households in receipt of housing benefit.<sup>17</sup> It would therefore be better for the Government to address some of the reasons landlords are reluctant to let to benefit claimants to increase the available supply and thereby reduce rents.

As the consultation acknowledges, part of the issue driving long-term rent increases is lack of supply in the housing market. As Shelter has highlighted in its research on housing need, it is particularly the lack of supply of social rented housing that forces people to rent in the private sector, driving up demand and rent levels. Research published in November

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<sup>15</sup> Frost et al, *For whose benefit? A study monitoring the implementation of local housing allowance*, Shelter, December 2009.

<sup>16</sup> Shelter, *A postcode lottery? part 1 of a study monitoring the implementation of Local Housing Allowance*, 2009 and Reynolds, L. *The Path to success? Shelter's research on Housing Benefit reform: the final report*, 2006.

<sup>17</sup> Rugg, J. and Rhodes, D. *The private rented sector: its contribution and potential*, Centre for Housing Policy, the University of York, 2008.

2008 calculated that the estimated total backlog of those requiring social rented housing is more than 500,000.<sup>18</sup> This is based on the shortfall between newly arising need and demand and the Government's targets for house building up to 2020 which were set in 2007. At the beginning of April 2009 nearly 1.8 million households were on the housing waiting lists, an increase of over 70 per cent since 1997.<sup>19</sup>

The lack of social rented housing has resulted in many households have little choice but to live in the PRS. In addition, many households on HB who would be eligible to live in social rented housing with lower rents, are being forced to rent in the PRS through the 'housing options' approach of local authorities' homelessness prevention strategies. In 2008/09, 50 per cent of cases that approached their local authority to find alternative accommodation were assisted by means of private rented sector accommodation.<sup>20</sup> Between 2005 and October 2009 there was a 62 per cent increase in the number of households in the private rented sector receiving HB, this compared to a 22 per cent increase of overall HB cases in the same period.<sup>21</sup> Higher rents in the PRS, are inevitably driving up the HB bill. The average rent paid before the deduction of HB for all social rented sector tenants in 2007/08 was £300 a month, which compares to £577 for all privately rented accommodation.<sup>22</sup>

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

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

We disagree that excluding the most expensive rents in every area would result in fairer levels of benefit.

Whilst we recognise that in some areas, such as London, exceptionally high rents can distort the market, in many areas this is not the case. Therefore, we urge the Government not to introduce a blanket policy of removing the most expensive rents from the LHA calculation. To do so would move away from the long held principle that that HB/LHA should be set at an average of the whole non-HB/ LHA market. For example, when Shelter surveyed properties that had more than 5 bedrooms for its response to the DWP consultation on larger properties, we found that the large ranges of monthly rents was primarily a London issue.<sup>23</sup> In central London BRMA the range between the cheapest and most expensive property was as much as £24,100 compared to £78 in Tyneside BRMA. This shows that the problem with excessively high LHA rates for large properties is not an issue that affects all BRMAs.

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<sup>18</sup> Holmans, A., Monk, S., Whitehead, C. Research: report, *Homes for the future: A new analysis of housing need and demand in England*, Cambridge Centre for Housing and Planning Research, University of Cambridge, Shelter, November 2008.

<sup>19</sup> Source: Housing Strategy Statistical Appendix

<sup>20</sup> CLG, Homelessness Prevention and Relief: England 2008/09 Experimental Statistics.

<sup>21</sup> Calculations based on Single Housing Benefit Extract (SHBE) and Housing Benefit Operational Database (HoBOD).

<sup>22</sup> Source: DWP Family Resources Survey

<sup>23</sup> Shelter's response to the Social Security Advisory Committee – Housing Benefit Amendment Regulations 2009: Local Housing Allowance and larger properties.

The removal of 'exceptionally' high (and low) rents was a feature of the pre-LHA system. The re-introduction of this could resolve issues such as the Central London example above without penalising those claimants living in BRMAs where this is not an issue. Removing the 'exceptionally high' rents however does raise questions about uniformity across all BRMAs. Leaving it to the discretion of the Rent Officer can lead to discrepancies on which rents are removed. It is important that benefit rates reflect the local market but also that BRMAs replicate areas with similar rent profiles to avoid huge discrepancies for claimants in accessing affordable accommodation. Our answer to question 9 below examines in more detail one of the mechanisms that underpins how this can be achieved.

Finally, if proposals are looking at how to set benefit rates to reflect different market conditions in different areas, consideration should also be given to the shared room rate. This continues to be a problem for claimants who are unable to access affordable properties at the lower rate. This is usually because shared properties simply don't exist, especially in rural areas. Whilst we still don't support the principles behind the shared room rate, as a compromise we propose that the definition is widened to include studio flats and self contained bedsits. Currently, we understand that although the Valuation office Agency (VOA) collects data on this part of the market it is not currently included in any of the LHA rates.

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

Shelter has always been in favour of the Government undertaking a comprehensive review of the regulations that are used to set BRMAs (both for local reference rents and LHA).<sup>24</sup> The regulations were rushed through on 5 January 2009 to ensure a new and largely unified definition of both localities and BRMAs. Since then, we have urged the Government to review what they described as a 'sticking plaster' to a much larger issue.<sup>25</sup>

The underlying principle of BRMAs should be to provide a geographical boundary by which benefit rates are calculated to ensure fair access to affordable properties for benefit claimants in the PRS. As the consultation recognises, these should reflect the distance travelled to employment by low-income workers. It is also vital that any adjustments to boundary areas must also support the Government's wider policy objectives of promoting mixed communities (especially to avoid concentrations of benefit claimant households in certain areas) and the increased use of the PRS in homelessness prevention strategies by local authorities. We don't necessarily think that BRMAs should be smaller but they should reflect local housing markets and the communities that people live in.

Our research has identified some problematic areas. Using a sample of more than 1,500 advertisements for private rented homes in four BRMAs, we found that the use of larger BRMAs to set the level of LHA in different areas has resulted in less equitable outcomes for claimants. In some areas the median rent did not offer a fair reflection of the extremes of the range of rents within those areas. In Cambridge BRMA, the level at which

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<sup>24</sup> See recommendations in *For whose benefit?*, December 2009 and *Postcode lottery?*, January 2009.

<sup>25</sup> The Housing Benefit Amendment Regulations 2009 (SI 2009/614).

LHA is set effectively excludes claimants from living in the city of Cambridge and its suburbs. By contrast, the more rural areas around the city, where there are far fewer employment opportunities and transport links, are more affordable to LHA claimants. This problem is also found in other BRMAs that include high rent towns or cities, surrounded by lower rent suburbs and rural areas.

North East Greater Manchester BRMA revealed a clear geographic divide across the areas, with significant discrepancies in affordability from north to south. This pattern is also repeated in other BRMAs where affluent towns or cities are included with lower rent conurbations which potentially leads to greater concentrations of LHA claimants in the more deprived parts of the BRMAs.

Using local authority boundaries to calculate benefit rates would be administratively easier to manage and has the potential to provide one solution to the problem. However there is currently no evidence to assess whether this would be better than the current system. Any changes made to the boundary areas need to be made on the basis of a full impact assessment of how these changes would affect claimants' levels of shortfalls and access to affordable housing compared to the current BRMAs. The VOA would be best placed to model different scenarios to assess the impacts on benefit rates.

### ***Fairer size criteria***

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

We are concerned about proposals to raise the age at which a young person qualifies for a separate bedroom from 16 to 18 years. This will put increased pressure on families and may lead to a young person moving out or being made homeless and therefore applying for HB in their own right. As a result there would be no saving made to the HB budget. As homeless 16 and 17 year olds are priority need groups under homelessness legislation, or a 'child in need' under the Children Act 1989, this would create additional pressure on local authority homelessness and social services departments.

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

Yes we strongly agree that the rules should be extended to include the extra needs of disabled people. This should include the needs of a non-resident carer but also for households where it may not be possible for members to share a bedroom due to ongoing health or disability needs. The two case studies below show this in more detail.

##### **Case study**

A Shelter advisor reported a client who was severely disabled. Due to his disability and poor health he often requires assistance at short notice during the night. He has a friend whose main residence is elsewhere, but stays overnight to provide assistance when necessary. The client had recently moved from a second floor flat due to difficulties of getting up and down the stairs, but also the poor condition of the property was aggravating his asthma and chronic chest infections. His new property is a two bedroom ground floor flat which he moved to without knowledge of restrictions to his HB. However, since taking up the tenancy he has realised he is not entitled to the 2 bedroom rate and therefore cannot afford to keep the tenancy. Shelter has applied for discretionary housing payment on behalf of the client but this will only assist with the shortfall in the short term.

### **Case study**

A family of four (two adults, two children) currently live in a two bedroom property. Under current rules they are only entitled to the two bedroom LHA rate, however their eldest child has Aspergers syndrome. His behaviour can be quite volatile if his routine is disrupted, and his mother felt that the he would not be able to share a bedroom with his new born baby sister. She feels there is a danger for her new baby because of her son's anger issues related to his condition. The family have looked for three bedroom properties but are unable to find anywhere affordable at the two bedroom rate.

### **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?**

Yes, we agree that providing an extra bedroom in the size criteria should be considered. Children can often lose contact or develop strained relationships with one parent if there is no room for them to stay.

### **Decent housing, mixed communities**

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

No, we strongly disagree with this. Whilst we recognise that standards of accommodation are important and need to be improved, the overriding purpose of HB should be to assist people on low incomes to afford their rent. The rent of some of the most vulnerable in society should not be used as a policy tool to drive up housing standards. Around 46 percent of households live in non-decent homes in the PRS.<sup>26</sup> Therefore, improvement of conditions in private sector housing should be introduced for all tenants, not just those claiming housing benefit. This should be done jointly with CLG through proposals such as landlord registration whereby landlords have to abide by a mandatory code of practice relating to housing conditions and are subject to spot checks.

The proposals set out in the housing benefit consultation place the onus on the tenant to find a property that will meet these standards. Tenants cannot be expected to carry out costly improvement works to their homes or judge the quality of conditions before renting, particularly when they have limited security of tenure deterring a long-term interest in the property. An unintended consequence of linking HB to housing standards would be to make it even more difficult to for people on the lowest incomes to find an affordable home. Enforcement in the housing benefit market could also potentially lead to landlords pulling out of the sector when there are already issues with a lack of landlords willing to let to HB claimants. Our research found that only 28% of private landlords considered letting to LHA applicants.

<sup>26</sup> Source: English House Condition Survey 2007 Headline Report, CLG, 2009

We have further reservations about how the proposals would work in practice; as well as questions regarding on how such a scheme would be funded and regulated. Enforcement of current PRS standards is already poor in some areas. It would also make the system even more complex and would require environmental health officers to visit every property to inspect standards under the Housing Health and Safety Rating System.

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

Fundamentally, we strongly believe that tenants should have choice over how their LHA is paid. We therefore strongly disagree with the conditional proposals in the consultation. There appears to be no merit in linking direct payment to the landlord to properties meeting a certain quality or energy standard. The method of payment should be dependent upon the tenant and their circumstances rather than the unrelated actions of a third party – in this case the landlord. These proposals do not present any replacement for a straight return to giving tenants choice over how their LHA is paid. Evidence to support the reintroduction of choice for tenants of how their LHA is paid is unequivocal and we maintain that this change should be implemented without conditions as a matter of urgency.

When we surveyed tenants, most who had experience of payment to their landlord and themselves preferred to have their LHA paid directly to the landlord. As well as claimants wanting to have the choice to choose how their benefit is paid, it is also causing landlords to withdraw from of the market. Through a panel survey we asked landlords whether they agreed with the statement: 'I don't let to Housing Benefits / Local Housing Allowance claimants, and the main reason for this is direct to tenant payments'. The results showed that 49 percent of landlords agreed with this statement and this could equate to as many as 600,000 private landlords.<sup>27</sup>

There have been lots of successful Government initiatives on financial inclusion. These include £120 million from the Financial Inclusion Taskforce which has helped provide hundreds of thousands of people with access to a bank account, affordable credit, and free money advice.<sup>28</sup> However, compulsory enforcement of direct payment to the tenant is not an effective way of implementing this agenda. Being able to choose how their LHA is paid would help claimants stay in control of their finances rather than being an obstacle.

#### **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.**

It is important to improve the quality of stock for tenants in the PRS. The PRS has the worst property conditions and energy efficiency of the three main tenures and vulnerable households living in the PRS are even more likely to experience poor conditions. However, before proposals are set out to link property standards to HB there needs to be

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<sup>27</sup> Base: 551 landlords, BDRCL landlords panel, fieldwork dates 9th December to 31st December 2009.

<sup>28</sup> HMT, Financial inclusion: an action plan for 2008-11

a broader debate concerning what HB pays for. This poses the question of the degree to which HB is it a benefit for individuals to spend how they wish or a tool to intervene in the wider housing market. The consultation paper assumes a government answer and position that has not been overtly articulated in it.

In the immediate future DWP need to examine mechanisms to encourage more landlords to let to benefit claimants. This would open up greater competition in the sector which may encourage more landlords to offer better quality of housing. This could include measures such as offering calendar monthly payments of HB rather than fortnightly or four weekly. Finally, as the consultation recognises, the private rented sector is increasingly being used to accommodate people in housing need through housing options, many of whom are eligible for LHA/HB. It is vital the Government progress proposals to secure a more co-ordinated approach to private rented tenancies for low-income groups; perhaps through the local lettings agency concept. In doing so, local authorities should limit the use of the private rented sector to tenancies where there is no shortfall between their LHA and rent or where a sustainable solution exists to cover any shortfall.

### **Towards tomorrow's housing support**

The proposals put forward in this consultation focus on assisting people into employment. However, once they make that transition the major long-term problem of the HB system is that it creates a crippling poverty trap<sup>29</sup>. The very steep withdrawal of benefit and the way that HB interacts with other benefits means that a person moving from benefit into work can lose up to 85p of each additional £1 of income. For many claimants, the complex nature of these interactions means they are financially little or no better off from increasing their hours of work. In some cases the effective marginal tax rate can be as high as 90 per cent. This means there is very little incentive to take up low-paid employment and in turn, create distortions in the labour market and undermine attempts to improve social inclusion and levels of child poverty.

Over the long term measures need to be undertaken to address the HB taper. The recent Marmot review of health inequalities also identifies 'cliff edges' for those moving in and out of work. The report recommends that these must be removed by withdrawing benefit more slowly as people move into work and adjust to new ways of living, particularly low-earners and those working part-time. Any reforms to HB must prioritise reforming the interaction of benefits and tax credits to reduce marginal deduction rates.

**Shelter Policy Unit  
February 2010**

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<sup>29</sup> Cannizzaro, A., Impact of rents on Housing Benefit and work incentive, Working Paper No 38, DWP, 2007.