

NFA submission to the House of Commons Work and Pension Select Committee Inquiry into the implications of the proposed changes to Housing Benefit and Local Housing Allowances

Introduction

The National Federation of ALMOs (NFA) represents all 69 arms length management organisations (ALMOs) who between them manage more than one million council homes across sixty-five local authorities, more than half of all council housing in England.

Since their inception eight years ago, ALMOs have provided tenants with excellent local, customer-focused and cost-effective housing management services. They have significantly improved performance and customer service by forging a new, closer relationship with residents. ALMOs manage homes for some of the most vulnerable people in society and work in some of the most intractable areas of the country, the NFA therefore makes this submission on the basis of that experience.

Summary

The National Federation of ALMOs recognises the need for overall reform to the welfare system given both the financial disincentives to work for some claimants as well as the complicated and bureaucratic nature of the system. However, the NFA is not convinced that the current proposals are the best way of reforming the system and believe instead that many of the proposals will not have the outcome that the government desires and may cost the public purse more in the long run.

ALMOs work with some of the most vulnerable households in the country and encounter some of the issues that households face when applying for housing benefit. They have a lot of evidence about how things actually work on the ground and, therefore, wish to be part of an ongoing dialogue with government to ensure that any proposed reforms are fair to people who are trying their best but who currently need the extra support that the welfare system and housing benefit in particular give. We would urge the government to reconsider its proposals in light of the concerns within the sector and work with landlords and tenants to reform the system in a fairer and more structural way.

Implications of the emergency budget announcements

Incentives to work and access to low-paid work

The NFA is unconvinced that any reductions in housing benefit will help motivate people to find work. Many long-term unemployed people will have a number of issues to overcome in order to be able to get work and will undoubtedly need additional help and support to do so, but reducing their housing benefit by 10% after 12 months is a punitive measure which is unlikely to help.

In these challenging economic times we believe it will be even harder for the long-term unemployed to secure employment as they will be competing for jobs with

more experienced jobseekers. A 10% cut in income for a family or individual already on a very low income could dramatically affect their ability to satisfy their basic needs, especially where the family includes children.

Rather than cuts to basic benefits, which are already meagre, we would prefer a clearer and simpler method to calculate the financial gains from work and for people to receive the necessary support that they need to be successful in gaining employment. Our members already support training and employment packages for both the long-term unemployed and young people leaving school or college and believe that these types of approaches are much more successful in getting people into work than punitive benefit cuts.

One of the issues that our members come across frequently with their tenants is the sorts of housing benefit problems that can be caused by a series of low-paid temporary periods of work followed by a period of unemployment, which often leads to periods of unpaid rent whilst housing benefit claims are made and arrears which build up whilst the tenant does not know how much rent they need to pay. This affect of uncertainty and anxiety over losing their home due to rent arrears coupled with the prospect of not earning enough to be better off in work seems to play a role in some individual's decision to look for or take up employment. This cannot be addressed simply through cutting benefit entitlements. It requires a much more fundamental and structural change within the system.

Levels of rent, including regional variations

The NFA does not think that these proposals will have any effect on the rent levels in the social housing sector and we are unable to comment on the affect of the changes to the Local Housing Allowance on private sector rent levels.

Shortfalls in rent

The NFA is concerned that the proposed increases to the non-dependent deduction will cause shortfalls in rent. There is a concern regarding whether a tenant and non dependant will agree on who will meet the shortfall in rent and the impact this will have on the level of rent arrears. The indication is that these rises will be quite steep and this could become quite difficult for many tenants. Non dependents are typically adult children still living with their parents and it may well have implications on family formation and the pressure on independent accommodation if adult children are asked to pay more than their fair share of the rent (ie, a room in a shared house rather than the full rent).

Our members request that these changes in benefit are fair and clearly communicated so all parties understand to whom the benefit entitlement is for and who needs to pay the shortfall in the rent. This situation can often lead to problems with arrears or elderly and low income tenants trying to find the money themselves rather than ask their offspring for rent. It is also believed that some claimants are more likely to ask their non-dependants to move out or be driven to fraudulently claim they have moved out to avoid the deduction.

Due to the additional problems our members anticipate with this change, it is likely that our members will need to introduce additional income management support to aid understanding of these proposals.

The NFA is also highly concerned about the proposed 10% cut in housing benefit for long-term job seekers and the impact that will have on arrears. These families will not have any other additional income from which to make up the shortfall in rent and if they are still unable to find work then it is very likely that arrears will build up that they are unable to repay.

There may be a number of reasons why the tenant is still receiving JSA after 12 months but in these challenging economic times it will undoubtedly be very difficult for some people to find work. Some areas of the country are likely to be affected by this more than others and indications from the CIH are that the Midlands and some parts of London have a particular problem with long-term unemployment. This seems like a particularly punitive measure which may not have the desired effect of incentivising people to find work. These households will vary but some of them will include children and this is a cause of particular concern to our members and their tenants. It is also expected that more people will move onto JSA in future years as eligibility for Employment and Support Allowance and Incapacity Benefit is restricted. This could increase the numbers of households that will be affected by this proposal.

The proposals to adjust benefit entitlement for working age tenants according to family size from April 2013 may also adversely affect arrears. Depending on the opportunities locally to downsize, tenants may be left in situations where they are unable to pay the full rent and start to get in arrears with the rent. Mobility within the social sector is not as good as we would like and it could prove difficult and take some time for these households to find a suitable property to move to. Neither the choice based lettings schemes or the allocations systems are currently set up to allow people who need to downsize for financial reasons sufficient priority to access a move relatively quickly and rent arrears would undoubtedly build up. The irony is that in most council transfer schemes households with arrears are ineligible for a move thus making it impossible to move until the arrears have been paid off. It is also very likely that further pressure will be placed on the social housing waiting list by the changes to Local Housing Allowances. This will mean that there would be even less opportunities for existing tenants to move within the sector.

Levels of evictions and the impact on homelessness services

The proposed changes to housing benefit in the social sector are likely to increase rent arrears within the sector and thereby increase the likelihood of eviction for some tenants, who are unable to remedy the situation either by moving or by finding work and repaying the arrears. This will increase the levels of homelessness and lead to greater costs to the public purse in terms of temporary accommodation and upheaval in families lives, which could affect education, health and future employment prospects.

ALMOs are also concerned about the repercussions of cuts in the Local Housing Allowance in the private sector and the effect that this will have on the social sector. We would expect that the combination of proposed changes to the Local Housing Allowance will result in an increase in the numbers on the waiting list for social housing as people will find it more and more difficult to secure themselves private sector accommodation within their means. It is also highly likely that there will be an

increase in rent arrears and evictions rates in the private sector, increasing homelessness and thereby further increasing the pressure on social housing. If this happens and more homeless families need to be accommodated in the social sector there will be less opportunities for transfers and the mobility of the existing social housing population will be severely restricted. Many councils, particularly in London, make use of the private sector to house homeless households. If they are prevented from doing this due to changes in the Local Housing Allowance it is difficult to see how, in high demand places like London, any existing tenants would get a transfer as all available lettings would end up having to go to homeless households.

Landlord confidence

The biggest issue in terms of landlord confidence for our members is the level of arrears these changes are likely to bring about. It is important to remember that in council housing, it is not only those tenants on housing benefit that will be affected by these proposals, but all other tenants. If landlords cannot collect the full rent they will not have sufficient finances to manage and maintain the housing stock. This will undoubtedly have an impact on their ability to carry out some of their wider activities, such as employment training and financial advice, which could then have a counterproductive impact on other public sector expenditure.

Community cohesion

The proposals to adjust benefit entitlement for working age tenants according to family size from April 2013 are likely to affect the more mature working age tenants whose children have grown up and left the family homes. These tenants will have probably lived in their homes for most of their adult lives and may expect children to return to live with them for periods of time in the future (for example after university or after a marital breakdown). They may also be responsible for caring for grandchildren and have them to stay for periods of time. It will be very difficult for any system which forces families to move due to financial constraints to fully reflect the varying needs of each family and may result in more pressure on the social housing system from grown up children. It will not necessarily free up a large proportion of family homes, as many of these are occupied by elderly tenants not affected by this proposal. The NFA believes that councils and government should use incentives and support to get households to move to smaller accommodation rather than penalising those who want to stay in their family homes irrespective of age of the tenants.

The NFA welcomes the stated increase in the discretionary housing payments, which may help in the most difficult cases. However, we do not feel that this makes up for the impact that some of the government's proposals will have. Given the scale of the changes in the private sector in some areas this money will not go very far. Help for social sector tenants seeing a cut in their housing benefit may not have the same priority locally as helping (probably worse off) private sector tenants and given the discretionary nature of the payments this can only ever be seen as temporary assistance.

Disabled people, carers and specialist housing

The NFA welcomes the announcement that from April 2011, housing benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom which is a positive proposal for this vulnerable group.

Older people, large families and overcrowding

The proposals to adjust benefit entitlement according to family size will not affect elderly tenants. This is welcomed by the NFA as it will prevent many elderly tenants from falling into arrears. However, it would be more useful to think of how under-occupying tenants of all ages could be persuaded to downsize voluntarily, thereby freeing up much needed family-sized accommodation for the waiting list.

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NFA