

# Social Development Committee Submission: Welfare Reform Bill

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Housing Rights Service (HRS) welcomes the opportunity to comment on the Welfare Reform Bill. The Bill allows for significant changes to the benefits system to be introduced mainly by regulations. We are concerned that some areas of policy detail are not yet sufficiently developed to allow adequate scrutiny at this stage. The Universal Credit (UC) regulations have not been drafted in NI but the equivalent, the Draft Universal Credit Regulations 2012, have been published in Britain. We have serious concerns about the content of the draft regulations which we highlight in this submission. The Social Security Advisory Committee (SSAC) has completed its scrutiny of the draft UC regulations and is due to report shortly.

- ***HRS recommends that the Social Development Committee (the Committee) plays close attention to the content of the UC Regulations in Britain and to the SSAC's scrutiny report.***
- ***HRS recommends that the Committee seeks clarification from the Department for Social Development (the Department) regarding the timetable for the publication of the draft UC regulations and requests that the Department outlines the scope for NI specific amendments.***
- ***HRS recommends that provision is made within the Social Protection Fund to protect people who, as a result of cuts to assistance with their housing costs, are directly at risk of losing their home.***

This submission focuses on the clauses that relate to, or impact on, people's accommodation. In addition, it touches on the areas of concern that we have in relation to the content of UC regulations in Britain and their application in a Northern Ireland context.

WELFARE REFORM BILL CLAUSE	AREAS OF INTEREST TO COMMITTEE
<p><b>Clause 7 Basis for Awards</b></p> <p>This clause relates to the payment period for UC which will be calculated by calendar month, in arrears.</p>	<p>Monthly payments will undoubtedly create budgeting challenges for most of our clients. Stretching low income budgets over four weeks could exacerbate budgeting problems and potentially lead to increased debt levels amongst people who are financially vulnerable.</p> <p>Additionally, the loss of a defined benefit for housing costs and a move away from a direct payments system to landlords will present major challenges for local tenant claimants.</p> <p>Benefit recipients and low income households are often financially excluded from mainstream financial services and affordable credit impacting on budget options. Households in Northern Ireland are less likely to have a bank account than households elsewhere in England, Wales &amp; Scotland.</p> <ul style="list-style-type: none"> <li>• 12% of households do not have a transactional bank account, compared to 5% in the UK as a whole. ('Price of Being Poor' Consumer Council 2011)</li> <li>• 2 out of 10 consumers do not have a back account ('Price of Being Poor')</li> <li>• 36% of NIHE tenants do not have bank accounts (NIHE Draft Corporate Plan 2012).</li> </ul> <p>It would be fair to conclude that substantially more NI claimants are likely to be considered as "vulnerable" compared to Britain (where it's estimated to be around 10%). Under UC vulnerable tenants will continue to have their housing cost payments made directly to their landlords.</p> <p><b><i>HRS supports the continuation of offering a direct payment option to all tenants. However, it is important that NI Assembly protects the most vulnerable and ensures that adequate systems are in place to process these housing costs claims (whether technically or manually).</i></b></p>
<p><b>Clause 11 Housing Costs</b></p> <p>This provides for an amount to be included in Universal Credit (UC) for accommodation "payments". Regulations will specify:</p> <ul style="list-style-type: none"> <li>• what is to be included which could be rent, mortgage costs or "other housing related costs"</li> </ul>	<p><b><i>HRS recommends that Committee seeks confirmation of what will be included and excluded from housing costs. In particular clarification is needed around services charges.</i></b></p> <p>HRS has serious concerns about the content of the Draft UC Regulations which will introduce further cuts to assistance with housing costs for all tenants. The regulations also impact on homeowners. The UK Government is yet to confirm the waiting period for assistance with mortgage interest costs and is considering extending this from 13 to 39 weeks.</p>

- when a claimant is to be treated as liable/not liable
- circumstances where a claimant it to be treated as occupying/not occupying including temporary absences
- how the amount will be calculated and
- when entitlement to housing costs will commence and cease (e.g. to prevent someone from receiving support for mortgage costs for a period at the beginning of their claim or limit how long a claimant may receive support for mortgage costs.)

## **Draft Universal Credit Regulations Concerns**

### Overlapping entitlement

Current law provides for a number of strict criteria where housing benefit can be paid on two properties or a property which they are not technically occupying. These circumstances will be narrowed under UC regulations and in some cases will be disallowed. As a result some households will be disadvantaged namely:

- claimants who have moved but remain liable for rent on their old home for up to one month (e.g. family moving from private rented sector into social housing where tenants are often expected to move promptly to avoid void periods)
- tenants waiting for a social fund payment to furnish a new property (e.g. moving from a homeless hostel into permanent housing)
- households at risk of violence other than domestic violence (i.e. those forced to move temporarily because of fear of violence from neighbours, paramilitaries etc).

### Temporary absence

Housing benefit is payable during periods of temporary absence, if the claimant intends to return to live in their home and the period of absence is unlikely to exceed 13 or 52 weeks. Under a UC claim the maximum amount of time eligible for assistance will be 6 months. Whilst this will favour some claimants, it will penalise others who would normally qualify for up to 52 weeks including e.g. those admitted to hospital, in respite care or imprisoned on remand.

### Loss of 13 week and 52 week protection

Under current Housing Benefit (HB) rules a household is exempt from LHA restrictions or from 2013 under occupancy penalties where:

- for 13 weeks if they could previously afford their rent and they were not receiving HB in the past 52 weeks (e.g. made redundant)
- for 52 weeks if anyone in the household has died in the previous 12 months and claimant remains in the property.

These protections will be removed under UC. The 52 week protection will be replaced by 3 month benefit run on.

	<p><u>Support for Mortgage Interest (SMI)</u></p> <p>Our primary concerns for homeowners centre on direct payments and the waiting period before support is payable. We welcome recent confirmation that SMI payments will continue to be made directly to lenders via Mortgage Interest Direct Scheme.</p> <p>However, the UK Government is yet to confirm the waiting period for SMI. It has been considering extending this from 13 to 39 weeks. We feel this would have disastrous consequences for new claimants including people who lose their jobs locally.</p> <p><b><i>HRS urges the Committee to be mindful of the affect this policy change would have on NI families particularly given the depressed local housing market. We recommend that that Committee seeks clarification regarding the UK Government’s policy intentions in this area.</i></b></p>
<p><b>Clause 69 Housing Benefit: determination of appropriate maximum</b></p> <p>This provides DSD with powers to bring forward regulations to</p> <ul style="list-style-type: none"> <li>• set out the eligible rent which may be determined by reference to either the bottom 30<sup>th</sup> percentile LHA rate as set by NIHE or CPI – whichever is lowest; and</li> <li>• introduce size criteria for working aged tenants in social rented housing. (under occupancy deduction)</li> </ul> <p>The Draft UC regulations in Britain state the under occupancy deduction will be 14% where the clamant under occupies by one room and 25% for two or more rooms.</p> <p>A claimant is entitled to 1 room for each of the following:</p> <ul style="list-style-type: none"> <li>• a couple</li> <li>• an adult</li> <li>• two children of the same sex</li> <li>• two children less than 10 years old</li> <li>• a child</li> </ul> <p>and an additional room for an overnight carer.</p>	<p>HRS opposed the move to up-rate Local Housing Allowance by CPI rather than local rents. This breaks the long established principle of linking HB payments with actual or representative housing costs in the private rental market.</p> <p><b><i>HRS would like to see the impact of CPI formally reviewed with a commitment to re-linking LHA to at least the 30th percentile if necessary.</i></b></p> <p>HRS disagrees with the introduction of size criteria for social housing. According to NIHE approximately 32,000 households will be affected (26,000 NIHE and 6,000 Housing Association). The average loss for NIHE tenants will be £8.25 (1 room) and £14.70 (2+rooms). The average loss for Housing Association tenants will be £9.42 (1 room) and £17.48 (2+ rooms). An extra £3.4m has been allocated to the Discretionary Housing Budget for social housing tenants (£2.5m NIHE and £0.9m HA). DHPs are awarded for a minimum of 6 months after which time they are reviewed.</p> <p>HRS acknowledges that NI is very likely to adopt this change, and recommends that the Committee considers the possibility of amending the occupation entitlement. The allocation of social housing in NI differs to the size criteria being proposed by Westminster. Under the Housing Selection Scheme two children under the age of 7 are expected to share. Under the draft UC regulations two children under the age of 10 are expected to share.</p> <p><b><i>Given the shortage of suitably sized accommodation, HRS recommends that the Committee considers maintaining the current system to ensure that those allocated housing today are not penalised at a later date for under occupying. Alternatively, it will be important to ensure that funding is secured to transitionally protect families who are approaching critical ages (i.e. 10 or approaching retirement)</i></b></p>

<p><b>Clause 70 Ending of discretionary payments</b> This repeals payments of crisis loans &amp; community care grants</p>	<p>It is still not clear what will replace the Social Fund. <b><i>As HRS clients often rely on crisis loans for rent in advance for private rented accommodation, we recommend that the Committee seeks assurances that similar payments will be available under any new scheme.</i></b></p>
<p><b>Clause 95 Benefit Cap</b></p> <p>This provides for a claimant's benefit entitlement to be capped by reference to the average earnings of working households in Britain:</p> <ul style="list-style-type: none"> <li>• £500 – couples/lone parents</li> <li>• £350 – singles</li> </ul> <p>There will be some exemptions e.g. claimant in receipt of ESA support component, Attendance Allowance, Industrial Injuries Benefits, War Pension, DLA/PIPs</p>	<p>The Housing Benefit (Benefit Cap) Regulations will come into force in April 2013 when any working age households who receive more than the cap will have their HB reduced to the cap level. It is much more likely to affect larger families with children. Details about how it will be administered locally and how many people will be affected are yet to be confirmed.</p> <p>HRS is extremely concerned that the benefit cap will increase the risk of homelessness. The number of families affected may be small in comparison to the overall number of claimants. However the impact on those households will be great. Many will struggle to meet their contractual rental payments and if they lose their accommodation may be entitled to homelessness assistance provided by NIHE.</p> <p><b><i>HRS recommends that the Committee seeks clarification from the Department regarding the numbers likely to be affected broken down by tenure. This should include temporary accommodation (which tends to be more expensive than other forms of accommodation). We would like to see temporary accommodation excluded from the final regulations.</i></b></p>

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