



Zacchaeus 2000

HOUSE OF COMMONS – OPPOSITION DAY DEBATE ABOLITION OF THE BEDROOM TAX – 12 NOVEMBER 2013

The Zacchaeus 2000 Trust (Z2K) is a London-wide anti-poverty charity that promotes the improvement of living conditions on the basis of economic and social justice through the provision of evidence-based policy alternatives to government, and by direct engagement with the lives of the poorest and most vulnerable.

In 2011, Z2K established the *NextDoor* service to try to help those threatened with homelessness as a result of the Government's decision to cap Local Housing Allowance (LHA) below the median of local market rents. Many of these clients are now affected by the £500 Household Benefit Cap as well.

While most of Z2K's clients are those affected by the LHA caps, other people we see are losing Housing Benefit as a result of the Social Sector Size Criteria reducing their entitlement by 14 or 25 per cent. Z2K recognises the importance of encouraging under-occupying households in social housing to "downsize" so that a continuing supply of family-sized homes are available to homeless and overcrowded families. However, we are not persuaded the "Bedroom Tax" is an appropriate or effective way of achieving this goal.

In particular, as the National Housing Federation has shown, there is a chronic shortage of suitable one-bedroom properties in many of those areas with the highest numbers of claimants affected by this policy.¹ As a result, many of those affected were unable find somewhere smaller to move to in the run-up to the Bedroom Tax coming into effect in April and so have been falling into rent arrears since that date.

- Z2K therefore supports the call for the abolition of the Bedroom Tax before those who have fallen into arrears start facing eviction proceedings.
- If ministers do not repeal the Bedroom Tax, Z2K hopes they will at least consider maintaining the increased rate of DHP funding in 2014/15 and 2015/16.
- Z2K also hopes councils and housing associations will commit to a "no evictions" policy at least until the outcome of the 2015 election is known.

¹ The Bedroom Tax – Some Home Truths, National Housing Federation (March 2013), *The Bedroom Tax in Merseyside – 100 Days on*, National Housing Federation (July 2013)

Key Facts

- DWP's impact assessment reveals that 660,000 households are estimated to be affected by the Bedroom Tax
- 140,000 of those households are in low paid work
- The average shortfall is £14 a week
- Two-thirds of those affected (420,000 households) are registered disabled
- 340,000 of the affected claimants are single women, 160,000 are single men
- The policy was estimated to create savings of £480 million in 2013/14 and £450 million in 2014/15

A particular concern, is DWP's own apparent confusion about what tenants need to do in response to this policy.

“Downsizing” to Smaller Accommodation

The National Housing Federation estimated that there 180,000 of the households affected by the Bedroom Tax are under-occupying two-bedroom homes. However, in 2011/12, only 85,000 one-bedroom properties became available in the social rented sector. Similar numbers are expected in 2013/14. And so even if all 85,000 of those lettings went to a household affected by the Bedroom Tax, 95,000 households would be left waiting for a move at the end of the year.

However, the problem is much more difficult than this simple equation allows. For example, many of those one-bedroom properties will be allocated to households on local authority waiting lists who have an urgent medical priority or who have been given “reasonable preference” as a result of their homelessness. While it is undoubtedly true that some individuals have downsized in anticipation of the Bedroom Tax or since its implementation in April, it is clear that the vast majority of those affected have not moved.

Other factors that will affect a tenant's ability to downsize, include their current home having been specifically adapted for their mobility needs and the inability of housing associations to commit to similar adaptations being made to the new home. The dramatically increased rent levels under the Government's “Affordable Rent” regime will also discourage tenants who hope to return to work from bidding for many smaller properties as they are actually being let at higher rents than their current home.

Discretionary Housing Payments

Ministers regularly pray in aid of the additional Discretionary Housing Payment (DHP) funding being made available to local authorities to help those affected by the Bedroom Tax when they are challenged about its adverse consequences. For example, responding to a question in the House of Lords from Baroness Quin, the DWP Minister, Lord Freud said:

“My Lords, we are looking to protect people in difficult circumstances by looking to the local authorities to apply the discretionary housing payments, which have gone

up enormously. Overall, they are running at **£150 million** this year, and at **£360 million** for the (2011-15 Spending Review Settlement). Our expectation is that these hard cases will be looked after locally.”²

The truth, however, is that this DHP funding is to enable local authorities to help those experiencing shortfalls not only as a result of the Bedroom Tax, but also through the caps on LHA and the overall Household Benefit Cap. In fact, DWP’s initial allocation to those who were affected by the Bedroom Tax was only **£25 million** – or just 5 per cent of the total £480 million worth of deduction from Housing Benefit. Z2K hopes ministers will stop implying £150 million in DHP funding is available to cover Bedroom Tax shortfalls.

In what many saw as a sign of growing anxiety about the policy’s impact in some parts of the Coalition, DWP has announced an additional **£35 million** in DHP funding to help those affected by the Bedroom Tax in 2013/14. Unusually, however, it did not use its previous formula to distribute the funding between local authorities. Instead, it was split as follows:

- £10m transitional payments distributed to all councils based on working age social sector caseload, rent levels and regional levels of under-occupation.
- £5m discretionary housing payment funding for the 21 least densely populated areas in the country
- A new £20m DHP fund allocated between those councils who can demonstrate that they are managing their allocation in a robust, fair and appropriate manner.

While Z2K welcomes any additional DHP funding, this extra £35 million clearly still doesn’t go anywhere near far enough in meeting demand to cover Bedroom Tax shortfalls of those who have not been able to move. We are also concerned about the lack of transparency and note the concerns some have expressed that it is being focussed towards rural councils rather than the big metropolitan boroughs where the need is most intense.

If ministers are not minded to repeal the Bedroom Tax before the election, we hope they will at least consider maintaining the increased rate of DHP funding in 2014/15 and 2015/16.

Working Households

Ministerial claims that the 100,000 tenants affected who are already in work could “*work a bit more and simply pay the shortfall*” also betray a fundamental misunderstanding about how housing benefit is calculated. In February, the DWP Minister, Steve Webb MP, said:

“We’re talking on average £14 or £15 a week. So three hours at the minimum wage would pay the shortfall then he can keep the spare bedroom and have someone to stay. The issue of an extra shift, a bit of overtime, to pay that shortfall, if it really matters to have that spare room ...making up the shortfall through working extra hours will be one of the options.”³

² House of Lords, Official Report (15 May 2013: Column 394)

³<http://www.insidehousing.co.uk/tenancies/people-should-work-more-to-pay-bedroom-tax/6525693.article>

This is not accurate. Those affected by the Bedroom Tax who are “in work” have their Housing and Council Tax Benefit entitlement assessed by application of a taper to any income in excess of their “applicable amount”. (The applicable amount is the level of Income Support/Jobseekers Allowance they would be entitled to if they weren’t working). The taper in respect of Housing and Council Tax Benefit is 85 per cent of the excess income, (65 per cent HB and 20 per cent CTB). This can best be summed up by the circumstances of one woman Z2K staff have worked to support.

Case Study

“Doreen” is a widow living in the two-bedroom home she and her late-husband raised their children. She suffers from ill health, but still continues to work as a school dinner lady for 20 hours a week. Her salary is around £600 a month and she also receives a private widow’s pension. Her weekly eligible rent is £103.74 and consequently as she has one extra bedroom, her Housing Benefit has been reduced by £14.52 per week from 1 April 2013. As she is subject to an 85 per cent taper, her net earnings would have to increase by £96.77 per week in order to make up the reduction imposed due to the bedroom tax. This is the equivalent of approximately 12 extra hours or nearly two full days at work each week.

The Response of Local Authorities and Housing Associations

Research by the National Housing Federation has shown that more than half of the housing associations tenants affected by the Bedroom Tax had fallen into arrears since April. A second survey of local authorities found that nearly one in three affected council housing tenants had fallen behind on their rent. If those tenants continue accruing arrears at £14 a week, many will soon be receiving an eviction notice.

Despite the strong lead shown by the NHF’s Chief Executive in opposing the Bedroom Tax and the outspoken criticism of many councillors, most individual housing associations and local housing authorities in England have refused to give any commitment they will not evict a tenant whose arrears have arisen as a result of the Bedroom Tax. Only Brighton City Council has adopted the “No Evictions” policy campaigners are calling for.

Of course, Z2K recognises that local councils and housing associations rely on tenants paying their rent to fund their management and maintenance services. However, given Ed Milliband’s recent commitment that an incoming Labour Government would abolish the Bedroom Tax, it is disappointing that local councils and housing associations may move to evict tenants in arrears in the months leading up to the General Election.

Z2K therefore hopes councils and housing associations will commit to a “no evictions for Bedroom Tax” policy at least until the outcome of the 2015 election is known.