

Introduction

1. 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.
2. 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 below the median of local market rents. Many of these clients are now affected by the £500 Household Benefit Cap as well. More recently, we have set up *NextDoor Plus* to provide support for people being forced to move to outer London.

Direct Payments

3. Concerns about the move to direct payment of the housing cost element of Universal Credit (UC) to tenants were outlined in detail in evidence to the committee's report '*Universal Credit implementation: meeting the needs of vulnerable claimants*'. We note that, as a result of these concerns the committee recommended that, during the initial phase of Universal Credit implementation, claimants who currently have their housing costs paid to their landlord should continue with this arrangement. However, this was rejected by DWP. It argued "*...interference in people's financial affairs can undermine individual responsibility and... create an additional barrier to work.*"¹
4. Z2K is not persuaded by DWP's response. When LHA was first introduced many of the same arguments made today were used about the removal of payments direct to landlords. While the majority of tenants have coped effectively with the change, the warnings of problems have come true for a significant minority, who struggled and fell behind on their rent. The same pattern is likely to be repeated with UC.
5. The Direct Payments demonstration project has already shown this to be the case. Although 6,168 tenants in the pilot were being paid by direct payment (as of May 2013), another 1,258 tenants (20 per cent) had been paid by direct payment but had the payments switched back to their landlord as they were unable to cope.² Although the final pilot findings have not yet been published it is important to note

¹[Government response to the House of Commons Work and Pensions Select Committee's third report of Session 2012-13](#)

²[Direct Payment Demonstration Project: Learning and Payment figures](#)

that tenants in the pilots have received significant targeted support which would not be available with the wider roll out of UC.

6. Although under the current LHA system payments to the tenant is the default, claimants can still apply to have it paid directly to the landlord if they have sufficient reason. We see no reason why this 'opt out' cannot continue under UC.
7. Much of the current debate on direct payment focuses on the potential impact in the social sector but this neglects the significant number of LHA claimants who have their rent paid direct to their landlords. Z2K runs a Private Rented Sector Access scheme which places vulnerable people, such as rough sleepers, in private accommodation by helping them apply for housing benefit and providing a deposit. Being able to secure payment of housing benefit direct to the landlord is crucial to persuading them to take on such vulnerable tenants. When this option is removed, it will discourage private Landlords from taking on vulnerable LHA tenants.

LHA Reforms

8. Since they began in January 2011, the LHA reforms, including moving the basis for setting rates down to the 30th percentile, the property size rate caps, extending of Shared Accommodation Rate (SAR) to 25 – 34 year olds, and the move to uprating by CPI and then 1 per cent, have severely limited the ability of LHA claimants to access affordable accommodation, particularly in inner London.
9. Although the period over which they were implemented, combined with transitional protection and the use of Discretionary Housing Payments (DHPs), means we haven't yet got a complete picture of the impact, there is growing evidence that significant numbers of people moving out of inner London as a result of the LHA caps.
10. London Councils has shown the number of LHA claimants in inner London numbers fell by just over 1,500 households, or 2 per cent, between Jan 2012 and Jan 2013. At the same time the number of claimants in outer London increased by 11,000, a 9 per cent rise.³ These figures mask significant variation. For example, the number of LHA claimants in Westminster has fallen by 36 per cent from 5,947 in January 2012 to 3,836 in June 2013. The biggest decline was the 11 per cent drop in 25-34 year-olds claiming LHA in inner London, reflecting the extension of the SAR to this age bracket.
11. While the DWP's own research concludes that the *"early effects of LHA reforms had been fairly limited in terms of displacement, additional evictions or more cases of homelessness"*, it acknowledges that the *"on-flows of LHA claimants at LA level since the reforms have reduced most sharply in the London central areas, reflecting the wider gap between average rents and LHA rates in these boroughs"*, and notes that

³The Impact of Housing Benefit Reform in London, London Councils

*“The transitional measures, such as DHPs appear to have temporarily blunted the impacts in London and tighter PRS markets elsewhere.”*⁴

12. Because LHA rates were frozen in March 2012 and updated only by CPI in 2013/14 they are already below the 30th percentile, and falling with each month, making an ever decreasing pool of properties affordable for claimants. This was demonstrated by Hackney CAB, who conducted a snapshot mystery shopping exercise of 1,585 Hackney rental properties available on 15 June 2012.⁵ It found that while 30 per cent of rental properties should be available to LHA tenants, in reality only 142 (9 per cent) of the 1,585 properties fell within the new LHA rates.
13. This is even worse for the SAR. A Homeless Link report found 5.5 per cent of properties in their London-wide sample were affordable (even accounting for living rooms being adapted to bedrooms, only 0.9 per cent of properties were affordable if living rooms were not adapted).⁶ A higher percentage of properties in outer London were more affordable, but at 9.8 per cent this was still far short of the 30 per cent that are meant to be affordable.
14. This raises serious concerns over the ability of housing benefit to ensure that there is sufficient affordable private rented accommodation within London. If rents continue to rise at higher than inflation rates while LHA fails to keep up, less and less of London will be affordable to those on low incomes. Instead, they will be forced into the cheapest properties within the cheapest wards of the cheapest boroughs.
15. The initial argument for these changes was that LHA had artificially inflated rental prices and that reducing subsidy would bring down rents. However these changes have failed to reduce rents and are in reality more likely to exacerbate the affordability problem by increasing competition in outer London boroughs from those forced out as a result of these changes, thus further fuelling rental increases and pushing more low income households out of London altogether.
16. For these reasons Z2K remains opposed to the LHA caps and will continue to campaign for their reversal and a return to LHA rates being set at the median of local market rents. However, if the committee is not minded to support such a move, we hope it will at least press DWP to ensure that the very limited Targeted Affordability Funding is focussed on areas and property sizes where rents are increasing well above the LHA. We hope the committee will also challenge DWP to explain why surveys consistently show so few rooms available to rent in London at or below the SAR, and what action is being taken to ensure it is being accurately calculated.

⁴ Monitoring the Impact of Changes to the LHA System of Housing Benefit, DWP (May 2013)

⁵ [No DSS: Locked out of the private rented sector in Hackney](#)

⁶ [Nowhere to Move: Is Renting on the SAR in London Affordable](#)

- **Z2K hopes the committee will recommend the phased abolition of the LHA caps and a return to rates being set at the median of local rents.**

Household Benefit Cap

17. Z2K opposed the Household Benefit Cap when it was first announced and we have seen nothing in the early experiences on the ground to ease our concerns. This cap of £350 a week for individuals and £500 a week for families with children will result in an initial group of around 40,000 households losing an average of £91 a week from their Housing Benefit – almost £5,000 a year. Thousands more will suffer in following years. Those families unable to make up the shortfall from other benefits will quickly fall into rent arrears and face eviction. It is unlikely that they will be able to find any significantly cheaper accommodation locally and so they will ultimately be forced to move away from their children’s schools and family support networks.

Case Study

“Georgina” is a single mother, having left a violent and abusive husband, with 3 children (aged 4, 7 & 10). She lives on benefits and relies on the support of local friends and family. Her ex-husband is not contributing in any way. Her housing benefit was cut last year as a result of the LHA caps so, in order to remain close to her support systems, she downsized and now lives with her 3 children in a 2 bedroom flat at a rent of £330 per week. She currently receives £591.73 a week in benefit. Prior to April 2013 this left her with £261.73 after rent. However, she now has to pay £4.37 a week in Council Tax. After paying her energy bills she is left with £220 with which to feed and clothe her children. From August, she has been subject to the benefit cap meaning her Housing Benefit entitlement of £305.77 is reduced to £214.04. After she pays her rent and energy costs this will leave Georgina and her three young children just £128.63 a week to survive on.

18. DWP Ministers have argued that households affected by the cap will take steps to either work enough hours to qualify for working tax credit, renegotiate their rent in situ, or find alternative accommodation. Z2K is not persuaded that people in areas of high demand are in a position to renegotiate their rents in situ or move into employment. DWP’s own supplementary evidence to the Work & Pensions select committee inquiry into the Housing Benefit changes announced in the 2010 budget figures show that only 4,850 of the original estimate of 42,780 private rented sector households who were thought to be affected by the cap were claiming income-

related JSA.⁷ While this figure will have been revised, it still suggests that the cap unfairly penalises those who have been assessed as unable to work.

19. In Parliamentary debates on the Benefit Cap and other LHA reforms, ministers have argued that the increased budget for DHPs (£165 million in 2013/14 and £135 million in 2014/15) will support those households most affected. However, when DWP Minister, Mark Hoban MP responded to concerns about the level of DHP funding during the debate on the regulations, he conceded that:

“.... money should be used to support only those claimants who cannot move immediately into work or more affordable accommodation; it should not be used to meet every shortfall.”⁸

20. Furthermore, as the National Audit Office (NAO) reported last November, those DHPs only add up to six per cent of the savings due to be made by the HB reforms and *“it is not clear how the current level of funding for DHPs has been determined.”*⁹ It is clear that DHP pots are oversubscribed and a sizeable number of affected families will get little or no additional assistance. The reality now is that several of those local authorities with the highest numbers of households affected by the cap have topped up the DHP funding to try to ensure that more families are protected.

- **Z2K hopes that the committee will recommend for DWP to make additional DHP funding available in 2014/15 to help cover the shortfalls experienced by families who have been unable to move or find employment.**

21. While any extra DHP funding is welcome, Z2K is concerned that some of those authorities topping up their pot are focussing on the shortfalls of homeless households in temporary accommodation (TA). Because of the scarcity of accommodation in London, local authorities frequently procure TA at or very close to the upper limit levels (£500). This effectively means that families owed a homelessness duty in central London would be ineligible for any further benefit, which would immediately risk forcing them into acute poverty.

22. If families voluntarily give up their TA, they lose their “reasonable preference” on the local Housing Waiting List. But even if they try to stay and fall into arrears and are evicted, there is a chance they will be found to be “intentionally” homeless. These families face an impossible catch-22, the only solution to which is to leave the area

⁷ Analytical supplement to oral evidence session at the Work & Pensions select committee, Department for Work & Pensions (03 November 2010)

⁸House of Commons - Second Delegated Legislation Committee, 06 November 2012: Column 26

⁹Managing the impact of Housing Benefit Reform (National Audit Office, November 2012)

they have grown up in. The cost of exempting homeless households in TA from these regulations would be £30 million.¹⁰

- **Z2K hopes the committee will recommend that DWP exempt homeless households in TA from the Household Benefit Cap.**

23. During the passage of the Welfare Reform Act, Ministers gave a commitment to review the operation of the cap after 12 months. Given that it is now acknowledged that the cap will actually only save £100 million, Z2K hopes ministers will be persuaded to think again about the necessity of the cap. However, if they insist on retaining it, we believe the cap must be revised to take into account the variations in housing costs in different parts of the country, particularly the London region.

- **Z2K hopes the committee will recommend a 10 per cent uplift in the cap applied to claimants in the London Boroughs in 2014/15.**

Social Sector Size Criteria

24. 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 or "Bedroom Tax". As a result, we share the concerns about the difficulty many under-occupying households have in finding appropriate accommodation to "downsize" into, particularly disabled tenants whose existing homes have been adapted for their mobility needs. Z2K supports the call for a moratorium on the implementation of this policy before those who have fallen into arrears through the deduction of 14/25 per cent from their Housing Benefit start facing eviction proceedings.

25. A particular concern, is DWP's own apparent confusion about what tenants need to do in response to this policy. The chronic shortage of smaller accommodation has been widely reported in the media. However, 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 roommaking up the shortfall through working extra hours will be one of the options."¹¹

¹⁰ Official Report, House of Commons, 22 February 2012: Column 864W

¹¹<http://www.insidehousing.co.uk/tenancies/people-should-work-more-to-pay-bedroom-tax/6525693.article>

26. 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.

- **Z2K hopes the committee will recommend a moratorium on the implementation of the Social Sector Size Criteria**

27. We note that DWP recently agreed to provide an additional £35 million in DHP funding to help those affected by the Bedroom Tax. If ministers insist on retaining it despite the growing evidence of its pernicious impact, we hope the committee will call for a further increase in DHP funding for 2014/15.

Council Tax “Localisation”

28. Z2K was founded in the early 1990s to help those vulnerable Londoners threatened with legal action because they couldn’t pay the Poll Tax. That discredited policy eventually collapsed under the weight of non-payment and public outcry. Z2K was amongst those critics and so we were extremely disappointed to see the Coalition Government reintroduce the Poll Tax by the back door in the form of Council Tax “Localisation” and a 10 per cent cut in the funding provided to cover the costs. This decision means hundreds of thousands are being forced to pay up to £5 a week Council Tax from their Income Support, JSA or ESA.

29. Figures released in June revealed a 45 per cent increase in the number of households in arrears with their Council Tax. This represents half a million more households than a year ago. Even more worrying was that this snapshot was taken April 2013 - before the full impact of the Government’s abolition of Council Tax Benefit had been

felt. In the three months since, tens of thousands of the poorest Londoners have been sent Court Summons and Liability Orders for non-payment of Council Tax. Much of this money will only be obtained through punitive bailiff action that drives people into the arms of payday lenders.

Case Study

“Karen” came to one of Zacchaeus 2000 Trust’s advice sessions in August. She is a vulnerable woman suffering from severe depression. She receives Income Support with the Disability Premium due to her illness, and until April, she also got Council Tax Benefit. But now, as a result of the Government’s decision to abolish CTB and her local council’s decision to charge 19 per cent, she has to pay £180 a year. After failing to keep up with those instalments, she was sent a court summons and now has to pay an extra £90 on top. Karen simply doesn’t have that kind of money. After paying for food, utilities and other essentials she has nothing left over from her benefits.

30. Ministers argue that councils don’t have to pass on the cut. And in London, Hammersmith & Fulham, Kensington & Chelsea, Merton, Tower Hamlets, Wandsworth and Westminster have all decided not to charge. However, three quarters of London councils are passing the cut on, requiring claimants to pay between £100 and £250 a year. Most are allowing a small number of exemptions, but the vast majority of people out of work will have to pay. Z2K is lobbying London councils to follow the lead of those who have decided against passing on this cut to claimants, or at least widen the categories of those exempted.
31. More generally, this policy reform has thrown new light on the shocking level of charges applied by local authorities to Court Summonses. The Courts themselves only charge £3 and yet most London Boroughs appear to charge residents £90 and some are even higher at up to £120. This level of charge is entirely unnecessary and simply acts as a penalty for late payment for those who are struggling to make ends meet. We believe local authorities should be required to justify these charges or reduce them to a level commensurate with their actual costs.
32. **Council Tax “localisation” has left some of the nation’s poorest people facing a “Postcode lottery” of support and so Z2K hopes the committee will recommend a return to a national system of Council Tax Benefit.**

33. If that does not prove possible, we hope the committee will at least recommend that the £50 million under-spend in Transition Funding for 2013/14 is made available for those authorities that absorbed the costs or restricted their schemes to a maximum contribution of 8.5 per cent to repeat that mitigation in 2014/15.