Northern Ireland

Impact of welfare changes on rented housing in Northern Ireland

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Acknowledgements

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Executive summary

The benefits system is changing. Over the next three years a number of changes will be introduced that will adversely affect housing affordability for more people living on low incomes in social and private rented accommodation, as well as social housing providers' ability to build new homes and deliver a broad range of services. These changes include:

- benefits for people living in private rented accommodation are frozen at the 2015/16 rate for the four years from April 2016, risking higher levels of rent arrears, legal action, eviction and homelessness
- benefits for people living in social housing are cut from April 2019 creating affordability problems – particularly for under 35s and pensioners – and making new social housing less viable in the following areas:
    1. Omagh and Fermanagh
    2. Craigavon and Dungannon
    3. Banbridge, Newry and Armagh
    4. Coleraine, Portstewart and Ballymoney
- supplementary payments, which fully top-up reductions to benefits under the social sector size criteria (bedroom tax) and benefit cap, end in March 2020 increasing the risk of rent arrears, legal action, eviction and homelessness.

While social security policies in Northern Ireland broadly mirror those of the UK Government, there are practical changes that can be introduced at the local level, including cost neutral changes, which could help to lessen these adverse impacts:

- government in Northern Ireland should undertake a fundamental review of local housing allowance (LHA), incorporating:
    1. research into the potential impact of LHA rates on the number of new social homes built, and affordability for social and privately renting households
    2. an assessment of local broad rental market areas, with recommendations for their revision or reduction in number
    3. an evaluation of the current funding model for social housing in light of LHA rates being applied to social housing
    4. a local equality impact assessment of the change, and
- Northern Ireland Executive should commit to extend bedroom tax and benefits cap mitigation payments beyond March 2020.

Timeline of events

Now

People on low incomes living in private rented accommodation continue to face a growing gap between their benefits and the rent they pay.

September 2017

Universal credit begins rollout. 18- to 21-year-olds will no longer receive help towards rent, unless they are exempt from this change.

April 2019

Benefits towards social housing rents are cut. Under 35s are strongly impacted and pensioners are affected for the first time. New social housing becomes less viable in a number of areas, particularly Omagh and Fermanagh. Alternative funding arrangements are planned to be in place for supported housing but the details are as yet unknown.

March 2020

Bedroom tax supplementary payments end – more than 33,500 people affected by the bedroom tax stand to lose £21 million each year.

Benefit cap supplementary payments end – families with young children are at increased risk of homelessness.

Help with housing costs in rented accommodation - what is currently available?

Social housing

People on low incomes living in social housing can claim housing benefit (HB) to help them pay their rent. There is currently no set amount of HB; how much tenants receive depends on income and circumstances.

The amount of HB people receive will normally be reduced if they have a spare bedroom ('social sector size criteria' [bedroom tax]) or if their total benefits exceed a set limit ('benefit cap'), but most affected tenants in Northern Ireland are receiving supplementary payments that fully top-up these reductions.

HB provides vital support to many low income groups enabling them to meet their housing costs – it can pay for part or all of the rent, but a majority of social tenants in Northern Ireland rely on HB to pay their rent in full.

HB also underpins new social housing, as providers use the rental income to not only provide housing and property management services, but also to repay loans that help to build new, affordable social homes.

Private rented housing

People who rent from a private landlord can claim housing benefit in the form of local housing allowance (LHA). The amount of LHA is usually based on the number of bedrooms people are deemed to need.

Most single people aged under 35 only receive an amount equivalent to the cost of renting a single room in a shared house ('shared accommodation rate').

LHA rates are set in April of each year at no more than the rent for the cheapest 30 per cent of homes in a defined local area, known as the broad rental market area (BRMA). This means that LHA is universally capped, unlike HB for social housing at present.

The benefit cap also applies to tenants receiving LHA but affected tenants are receiving supplementary payments that fully top-up the shortfall. Additional assistance is available through discretionary housing payments (DHPs) but these are limited.

LHA provides vital support to many low income groups enabling them to meet their housing costs in private rented accommodation – in 2013/14 more than 60,000 private tenants received LHA totalling more than £300 million.

Current and future changes and their impact

Universal credit

HB and LHA will begin to be replaced by a new benefit – universal credit (UC) – for new claimants from 25 September 2017. This will happen in Limavady first and then roll out across Northern Ireland over the period to March 2022.

UC is a single payment that replaces six existing benefits and tax credits, including HB/LHA. One of the aims of UC is to iron out the poverty trap by allowing claimants to increase their earnings with less financial penalty than the current system.

However in pursuing this, UC creates a complex web of winners and losers – CIH modelling has previously shown that lone parents under 25 with child care costs are particularly worse off under UC. However a 'cost of work allowance' will be introduced in Northern Ireland which will help this group.

LHA rates in private rented housing

It is important that LHA rates keep pace with rent increases so that the bottom 30 per cent of the market is available, in line with intended policy.

However CIH research last year revealed that people are facing a growing gap between the LHA they receive and the rent they pay. In 2016, 80 per cent of LHA rates in Northern Ireland had already fallen below the cheapest 30 per cent of homes in the local area.

Case study – LHA rates in private rented housing – Housing Rights

Miss A is 28 and lives in a one bed private apartment in Newcastle, with a rent of £69 per week. She receives the LHA shared accommodation rate of £52, and her only other income is carer's allowance. She lives with depression and mental illness.

Miss A has fallen into rent arrears over the first three months of her 12 month tenancy, risking eviction. She was awarded a DHP of £10 per week for three months. This will reduce her shortfall to £7 for this period, but it will not help pay her rent in full after this, or address her rent arrears.

The cash shortfall of the shared accommodate rate was £5.00 or more each week in two areas – South (Banbridge, Newry and Armagh) and South West (Omagh and Fermanagh).

This means that the policy aim of making the bottom 30 per cent of the private rented market available to LHA claimants is no longer being achieved.

If private tenants' rents are higher than the amount of LHA received, they have to make up the difference. If people cannot pay the difference out of their low employment income and/or basic benefits intended for other essential living expenses, they will fall into rent arrears risking legal action, eviction and homelessness. Additional assistance is available through DHPs but these are limited.

Current and future changes and their impact continued...

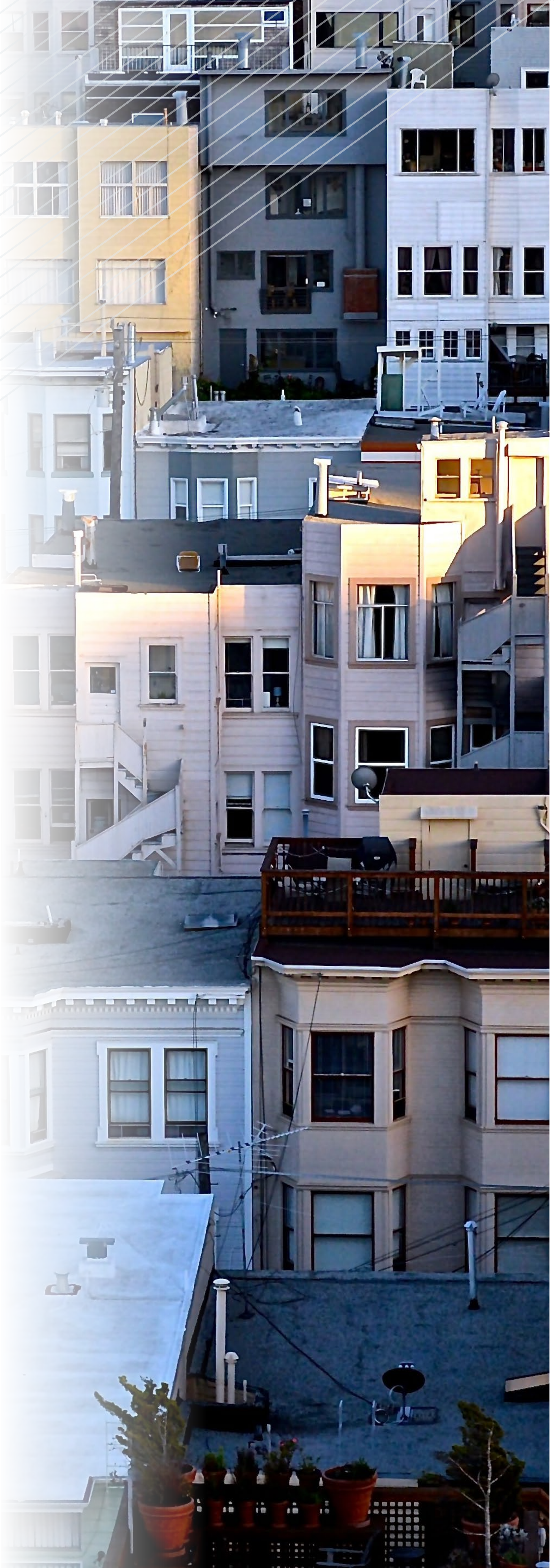
LHA rates in private rented housing continued...

The primary reason that LHA rates have not kept up with rent levels is the change that was made to the way LHA is uprated each year:

- for 2013/14, LHA rates were capped at the previous year's figure plus consumer price index (CPI)
- for 2014/15 – 2015/16, rates were capped at the previous year's rate plus one per cent
- for the four years from April 2016, rates are frozen at the 2015/16 rate

The effect of these changes is that since rent inflation has exceeded the caps (there is little relationship between CPI and changes in rents), LHA rates are now purchasing less than the bottom 30 per cent of the market. It can be expected that over the four year period of the freeze the cash value of the shortfalls will grow.

The gap will also grow wider if private rents rise more quickly – for example due to economic growth, an upturn in earnings, or a continuing increase in demand for private rented housing. In the main average rents are currently relatively stable in Northern Ireland.



LHA rates in social housing

The proposed change with one of the largest potential impacts on social housing is restricting the housing element of UC for social tenants (HB) to the same amount as private tenants (LHA). Many social tenants will receive less money – much less in some geographical areas – to help pay their rent, creating a shortfall between the rent they pay and the benefit they receive.

This change will apply to general needs housing from April 2019 for all tenants on UC, and for legacy HB tenants whose tenancies began or have been renewed since April 2016.

Case study – Apex, Choice, Clanmil, Radius and Rural housing associations

The LHA rate is lower than the five housing associations' average rents for each property type (one, two and three bed) in four out of the eight BRMAs.

The shortfall for two and three bed homes is more than £10 per week in the worst affected areas, which are South West (Omagh and Fermanagh), Lough Neagh Lower (Craigavon, Dungannon), and South (Banbridge, Newry and Armagh).

For the shared accommodation rate, the shortfall is an average of £24 per week.

The combined stock size of these five associations represents more than three quarters the number of housing association homes in Northern Ireland, with the homes located right across the region.

Current and future changes and their impact continued...

Case study – Apex, Choice, Clanmil, Radius and Rural housing associations

	Weekly local housing allowance				Average rents (Apex, Choice, Clanmil, Radius, Rural)			Variation			
	Shared	1 Bed	2 Bed	3 Bed	1 Bed	2 Bed	3 Bed	Shared	1 Bed	2 Bed	3 Bed
BRMA											
Belfast	£42.15	£83.65	£92.44	£101.90	£69.28	£88.34	£97.63	-£27.13	£14.37	£4.10	£4.27
Lough Neagh Upper	£48.45	£69.85	£85.70	£93.27	£68.97	£88.06	£97.57	-£20.52	£0.88	-£2.36	-£4.30
Lough Neagh Lower	£44.94	£66.94	£77.92	£89.43	£72.62	£89.45	£102.51	-£27.68	-£5.68	-£11.53	-£13.08
North	£37.15	£65.47	£83.17	£89.42	£70.90	£88.22	£94.76	-£33.75	-£5.43	-£5.05	-£5.34
North West	£50.52	£74.31	£89.53	£99.60	£70.73	£85.59	£100.86	-£20.21	£3.58	£3.94	-£1.26
South	£47.17	£60.49	£79.99	£88.44	£66.94	£90.74	£100.02	-£19.77	-£6.45	-£10.75	-£11.58
South East	£52.09	£77.96	£93.09	£102.92	£71.68	£84.30	£98.26	-£19.59	£6.28	£8.79	£4.66
South West	£45.00	£59.40	£76.07	£87.10	£69.08	£89.05	£100.92	-£24.08	-£9.68	-£12.98	-£13.82

Current and future changes and their impact continued...

LHA rates in social housing continued...

Currently HB for social housing is only reduced if the bedroom tax or benefit cap applies, with tenants in Northern Ireland receiving supplementary payments to fully top-up these shortfalls.

A case study looking at the rents of five associations reveals the average shortfall for two and three bed homes is more than £10 per week in the South West (Omagh and Fermanagh), Lough Neagh Lower (Craigavon, Dungannon), and South (Banbridge, Newry and Armagh) areas.

If the LHA rate is lower than tenants' social rent levels, they will have to make up the difference out of their low employment income and/or basic benefits intended for other essential living expenses. This will be the case in most areas west of the Bann, where the private market is weaker. This change increases the risk of rent arrears, legal action, eviction and homelessness.

It will also impact on social housing providers through a reduction to the revenue streams that are vital to build quality homes and to deliver a broad range of services. The possible outcomes include a lower standard of new-build properties, some types of housing becoming unfeasible, and certain geographical areas – including with high levels of need – becoming less viable for new housing, as building there is made uneconomical.

The badly affected areas where building new social homes will become less viable are:

- Omagh and Fermanagh
- Craigavon and Dungannon
- Banbridge, Newry and Armagh, and
- Coleraine, Portstewart and Ballymoney.

The change will also place pressure on providers' services that are deemed to be 'non-core', which may include work towards residents' broader social and economic needs.

One particularly strong impact will be on single people under 35, who will only qualify for an amount equivalent to the LHA shared accommodation rate. Social housing providers generally do not let shared properties, so an affected tenant who is allocated a one bed property will face a sizeable shortfall between their rent and their benefit; the shared accommodation rate is as low as 50 per cent of the one bed rate (Belfast) rising to 78 per cent (South – Banbridge, Newry and Armagh).

Another considerable impact will be on pensioners. Currently, the bedroom tax does not apply to people who have reached the qualifying age for state pension credit. However, pensioners will be included when LHA rates apply to HB tenants in 2019 whose tenancies began or have been renewed since April 2016.

This creates a new bedroom tax for pensioners since LHA rates are based on property size. Pensioners who are under-occupying their homes will be the greatest affected, however for pensioner(s) living in a one bed property the LHA rate will in many cases still be lower than a modest rent for these homes, creating a shortfall.

Social sector size criteria (bedroom tax)

The bedroom tax was introduced in Northern Ireland on 20 February 2017. It reduces the benefit of working-age social tenants by 14 per cent if they under-occupy their home by one bedroom, and by 25 per cent for two or more bedrooms. From 20 April 2017, tenants are permitted an additional bedroom where, due to disability, a member of a couple is unable to share a bedroom or regular overnight care is required.

More than 33,500 social tenants in Northern Ireland are currently not using all their bedrooms and are subject to the bedroom tax. Affected tenants are receiving supplementary payments that fully top-up the reduction, but these payments will only apply until March 2020. Tenants stand to collectively lose over £21 million in benefit each year when the supplementary payments stop.

Currently, if a tenant is receiving a supplementary payment and they choose to move to another social home where they have the same or a greater number of spare bedrooms, their supplementary payment will also stop. Approximately 1,500 tenants currently receiving these supplementary payments are on transfer lists to move voluntarily, and could be affected. Tenants with 'management transfer status' are not affected – this includes tenants who, for example, are transferred by a housing association because the home is scheduled for major repairs.

Many tenants are unaware they may not be entitled to the supplementary payments if they move home, having applied to move home with the understanding that they would be protected against the bedroom tax.

Current and future changes and their impact continued...

Social sector size criteria (bedroom tax) continued...

Case study – bedroom tax – Housing Rights

Mr C lives in a two bed Housing Executive bungalow. He has mental and physical disabilities.

Mr C's daughter stays in his second bedroom to provide care. Her stays are sporadic – sometimes she stays to provide care for a month or more when Mr C's health is poor, but sometimes he manages on his own for several months with limited input from his daughter.

Under the bedroom tax, claimants are permitted an additional bedroom where it is used by a carer to provide 'regular' overnight care. Mr C has been advised that his daughter does not provide care often enough for him to be permitted an additional bedroom, and so the bedroom tax applies.

Currently, 'regular' care is not well defined in either legislation or case law, with a particular lack of precedent in Northern Ireland. If unresolved, this could have serious implications, in the longer term, for the ability of people with disabilities to remain in their own home.

Case study – bedroom tax – Apex, Choice, Radius and Rural housing associations

The four associations have almost 4,500 tenants under-occupying their homes, with a total weekly rent at risk of over £60,000. This equates to a total annual income at risk of £3.3 million.

Radius has been carrying out visits with their tenants and the messages are mixed. Many tenants say they aren't planning ahead and will deal with the end of supplementary payments when it happens in 2020. Others are considering the possibility of a transfer or direct exchange to downsize.

Under Occupancy	Number of tenancies				Weekly rent at risk			
	Apex	Choice	Radius	Rural	Apex	Choice	Radius	Rural
1 bed	928	1,117	1,541	123	£12,062	£14,030	£17,629	£1,668
2 bed or more	243	211	256	39	£5,891	£5,272	£5,226	£1,012
Total	**1,171**	**1,328**	**1,797**	**162**	**£17,953**	**£19,302**	**£22,855**	**£2,680**

This has implications for tenants who need to move for support reasons, or for training or employment opportunities, which goes against the overall aim of UC of making it easier for people to get into work.

Tenants who receive a reduced benefit as a result of the bedroom tax essentially have two options. They will either have to make up the difference out of their low employment income and/or basic benefits intended for other essential living expenses, or move to a smaller home.

However there are more social homes with a larger number of bedrooms in Northern Ireland, reflecting historically larger family sizes. Social housing providers will not always have smaller properties available to cater for tenants who decide to move.

Tenants who face a shortfall between their rent and their benefit face increased risk of rent arrears, impacting on providers' revenue streams, as well as increasing the risk of legal action, eviction and homelessness.

Current and future changes and their impact continued...

Benefit cap

The amount of HB/LHA people receive in Northern Ireland will be reduced if their total annual benefits exceed £20,000 (couples, or singles with children) or £13,400 (singles without children). Affected tenants are currently receiving supplementary payments that fully top-up the reduction, but these payments will only apply until March 2020.

Case study – benefit cap – Choice, Radius and Rural housing associations

Benefit cap reduction per week	Number of tenancies	
	Choice	Rural
>£100	5	1
£75-£100	16	2
£50-£75	16	2
<£50	40	4
Total	**72**	**9**

One of the largest benefit cap reductions for a Choice tenant is £125 per week, which applies to a single mother with four children under the age of 12.

Of the five cases with over £100 per week reduction, four of these cases are single mothers living in four bedroom accommodation.

Radius has a total of 147 tenants affected by the benefit cap, who are receiving supplementary payments totalling £7,296 each week. This represents a total annual income at risk for the association of £379,392.

The vast majority of people affected in Northern Ireland are households with three or more children, since child tax credit is the benefit that contributes most towards reaching the £20,000 cap. This has implications for lone parents with young children for whom moving into employment is not a realistic option.

From 6 April 2017 there is a two-child limit on child tax credits, meaning that there will be fewer benefit cap cases for new claimants as things currently stand.

Case study – benefit cap – Smartmove Housing

A couple with five children were receiving £589 per week in benefits – £119 of this was LHA while the rest was primarily child tax credit. The LHA covered most of their private rent, with the couple paying a small shortfall. Now the benefit cap of £385 has been applied, which reduces their housing benefit from £119 to 50p. The reduction is being topped-up with a supplementary payment but only until March 2020. The couple was unaware of the changes due to a language barrier.

While the number of people affected by the benefit cap is low in Northern Ireland, the individual cases are quite severe. There is little prospect of these tenants being able to make up the difference out of their basic benefits intended for other essential living expenses, increasing the risk of legal action, eviction and homelessness for families with children.

Other changes and issues

Restricting housing benefit to LHA rates will also apply in supported housing from April 2019, but the UK Government will provide additional funding to support the higher costs of supported housing. Final details of this funding are yet to be confirmed.

18- to 21-year-olds will not receive the housing costs component of UC after its rollout in September, unless they gain an exemption. A wide scope for exemptions will most likely mean many young people can argue that it is unreasonable to stay with their parent(s).

Despite the campaign to communicate welfare changes to affected tenants, there is evidence that the changes are poorly understood by tenants.

Recommendations

1. The Northern Ireland Executive should commit to extend bedroom tax and benefits cap supplementary payments beyond March 2020.

Social housing tenants who are subject to the bedroom tax stand to collectively lose over £21 million in benefit each year when the supplementary payments stop in March 2020. This will create a shortfall between their rent and their benefit, resulting in increased risk of rent arrears, impacting on providers' revenue streams, as well as increasing the risk of legal action, evictions and homelessness.

While the number of people affected by the benefit cap is low in Northern Ireland, the individual cases are quite severe. There is little prospect of these tenants being able to make up the difference out of their basic benefits intended for other essential living expenses, increasing the risk of homelessness for families with children.

2. The Government in Northern Ireland should undertake a fundamental review of local housing allowance, incorporating:

- research into the potential impact of LHA rates on the number of new social homes built, and affordability for social and private renting households
- an assessment of local BRMAs with recommendations for their revision or reduction in number
- an evaluation of the current funding model for social housing in light of LHA rates being applied to social housing, and
- a local equality impact assessment of the change.

LHA rates are not keeping up with private rent levels, risking higher levels of rent arrears, legal action, evictions and homelessness. Nor do they reflect social housing standards, meaning future affordability problems for social housing tenants as well – particularly under 35s and pensioners – and new social housing becoming less viable, particularly in the following areas:

- Omagh and Fermanagh
- Craigavon and Dungannon
- Banbridge, Newry and Armagh, and
- Coleraine, Portstewart and Ballymoney.

While social security policies in Northern Ireland broadly mirror those of the UK Government, there are practical changes that could be introduced at the local level. These include cost neutral changes, such as assessing the number of local BRMAs with a view to reducing them.

A BRMA is where a person could reasonably be expected to live taking into account access to facilities and services, and the assessment that was originally used to establish the eight BRMAs may now be out of date and no longer applicable.

Reducing the number of BRMAs would have the effect of smoothing out LHA rates across geographical areas. It is acknowledged then that this would reduce LHA rates in some areas, creating winners and losers in both social housing and private rented accommodation.

Such an exercise should therefore rely on a sound evidence base, with dual aims of:

- raising LHA rates in areas hit hardest by the restriction of the housing element of UC for social tenants (housing benefit) to LHA rates, and
- protecting LHA rates in urban areas with the highest rent levels for people living in private rented accommodation.

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