

4 Housing benefit changes and the “bedroom tax”

How are housing payments entitlements changing?

The government has changed how much housing benefit households are entitled to receive. The two main changes are the introduction of the **benefits cap** – see the separate UNISON welfare briefing - and the bedroom tax.

The bedroom tax: a penalty for under-occupying bedrooms in social housing

In April 2013 a new housing benefit rule was introduced which means households won't be able to get full housing benefit to pay for all their rent if the home has 'spare bedrooms'. Council or housing association tenants of working age receiving housing benefit and renting a home that has 'spare' bedrooms will have their housing benefit reduced.

This is known as the 'bedroom tax', but your council may call it a 'size limit rule', 'under-occupancy' or 'under-occupancy rules'.

If you have more bedrooms than the new 'bedroom tax' rules say you need, your 'eligible rent' will be reduced:

- **14% will be taken off if you have one extra bedroom.**
- **25% will be taken off if you have two (or more) extra bedrooms.**

If the housing benefit payment no longer covers the full cost of the rent the householder will be responsible for paying the shortfall themselves direct to the landlord.

Ask your council or housing association about ways to pay the shortfall. Use the gov.uk search to find your council <https://www.gov.uk/find-your-local-council>

Who will it apply to?

The 'bedroom tax' has mainly the same rules for England and Scotland. This briefing sets out the rules for England and the slight differences for Scotland can be found at Shelter Scotland http://scotland.shelter.org.uk/get_advice/advice_topics/paying_for_a_home/housing_benefit/the_bedroom_tax

The 'bedroom tax' rules will affect housing benefit claims for both new and existing claims from April 2013. However, if you have not claimed housing benefit in the 52 weeks before a making a new claim, the 'bedroom tax' reduction won't apply for the first 13 weeks of your claim.

Under the new rules on 'under occupancy' housing benefit can only be claimed for:

- one bedroom for a couple
- one bedroom for a person aged 16 or over
- one bedroom for two children aged under 16 of the same sex
- one bedroom for two children aged under 10 (boys and girls are expected to share a room)
- one bedroom for any other child
- one extra room for a severely disabled child (to be agreed by the council)
- one extra bedroom if you or your partner needs an overnight carer to stay
- a member of the armed forces who is serving away, providing they intend to return to the home
- students away from home providing they are away

temporarily (less than 52 weeks) and intend to return home.

You cannot claim for:

- children who don’t normally live in the household – except foster children
- children visiting as a divorced or separated parent
- being a couple who use separate bedrooms because of illness or disability or recovering from an illness or operation
- rooms used by a disabled adult to store medical equipment
- being a disabled adult living in adapted or specially designed properties.

The reduction to housing benefit for households with extra bedrooms will not apply to:

- pensioners claiming housing benefit
- people living in shared ownership properties
- people living in caravans, mobile homes and houseboats
- people living in some types of supported accommodation
- homeless people housed in temporary accommodation provided by the council (unless it is owned by the council).

What about lodgers?

From April, claimants with a paying lodger will be allowed to keep the first £20 of weekly rent. But housing benefit will be then cut, pound for pound, on the rest of the rent they receive.

However, after universal credit is established, although housing benefit will be cut, tenants will be allowed to keep all the rental income (although only the first £4,250 of annual rent is free of income tax).

The bedroom tax in numbers

- 660,000 people UK-wide will be affected losing an average of £728 a year as a result of the change.
- Those affected lose £14 average per week (government’s impact assessment).
- Housing association tenants are expected to lose £16 average per week
- In Scotland 105,000 people will be affected -

20% of all social tenants

- In London 80,000 tenants will be affected.
 - The Council of Scottish Local authorities (Cosla) estimates that 40% will fall into rent arrears because they simply don’t have enough money to pay.
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Why the bedroom tax is wrong and unfair

1. Moving families and households from their neighbourhoods unnecessarily

The aim of the bedroom tax is to make a welfare budget cost saving for the Treasury. It is based on the assumption that people will be able to make up the shortfall from other income, find employment or move to a smaller property. Evidence from all over the UK shows this is not the case. This means that local authorities, tenants and landlords now face a series of difficult financial decisions about how to respond to these changes.

If people choose to stay in their homes and try and make up the shortfall then we will witness many people beginning to fail to heat their homes properly, underfeeding themselves or their family, getting into debt; or even as we have already sadly seen vulnerable people feeling utter desperation to the point of considering taking their life. This will be the cold, harsh reality of the Bedroom Tax for many.

Thousands of families, couples and single people will be unable to find the shortfall and so risk losing their homes, communities and neighbourhoods while children and teenagers will be forced to move schools and colleges and lose their social networks. Recent findings show London boroughs alone have already relocated 32,643 families outside their local area since 2009 due to housing benefit changes in the private sector.

Moving families into new areas does not guarantee that they will move off benefits and find more employment as they are more likely to move or be moved into cheaper rental neighbourhoods in the suburbs which may have fewer available local jobs than the area they left or it will cost more to commute into work which may make work unaffordable.

For example for someone in part-time low income work, the shortfall could only be made up by nearly

doubling their hours because of the housing benefit and council tax deductions which occur as a result of the increased hours worked.

Under Universal Credit the work allowance has been more generous to overcome this so that people should be better off in work and better off working more hours – but this has yet to be tested as there has been no overall impact assessment on the impact of all benefit changes that can occur in a household.

Even those who are willing to move to downsize and avoid a shortfall in their housing benefit may not be able to do so as there may not be suitable (adapted for disabled people) or available smaller size housing in their neighbourhood. Many social landlords are reporting that they just do not have sufficient one or two bedroom properties for all those affected.

2. Evictions make no economic sense or savings for the taxpayer

The sums just don't add up:

The ‘bedroom tax’ presents a major challenge for social landlords, their tenants and a range of partners across the housing and advice sector. Particularly because social landlords rely on a business model of maintaining lower rent levels based on the high collection of rent and low arrears accounts.

Many landlords are anticipating their arrears will increase as a result of this change but this cannot be written off as bad debt by social landlords as this will impact on future borrowing, risk and ability to fund future building investment. If tenants fall into arrears then there is the threat of eviction and homelessness which many housing associations and local authorities are determined to avoid but have legal obligations in how they address the problem.

The figures show that the bedroom tax along with other benefits reforms will be more costly in terms of the likely (1) increase in arrears, (2) evictions, (3) temporary homelessness and (4) re- housing to the private sector locally:

Savings

£155 million is the amount the DWP has made available in Discretionary Housing Payments (DHP) £505 million is the DWP savings estimate in 2012-13 and £540m in the year after

Costs

£40.9 million was the estimated cost of just 7,000 evictions from housing associations properties in 2010-11 and this is now expected to rise

£350 million is the total sum of rental arrears owned to UK housing associations according to the Financial Inclusion Centre (FIC) and this is now likely to rise.

£2 billion is the amount that the UK has spent housing vulnerable homeless families (53,130) in short-term temporary accommodation and this is now likely to rise (December 2012 figures issued by the government)

Increase in rent arrears from Housing Benefit Direct Payment pathfinders

In May 2013 the DWP released more information on its direct payment pathfinders. These are local authority pilots that are testing paying housing benefits direct to tenants rather than paying direct to landlords in social housing. Figures published show the average rent payment levels across the schemes had risen to 94% on average up from the previously reported 92%. In other words the payment levels reflected a reduction in the amount of tenants falling into rent arrears.

However, this is still a significant amount based on the conclusion of a report by the organisation Housemark – set up by the Chartered Institute of Housing and the National Housing Federation and representing 350 social housing landlords. They claim that every 1% drop in rental income is worth almost £200 million to the sector.

Therefore if rent collection rates for social landlords drop by around seven percentage points, they will lose £27 million a week in rental income which is £1.4 billion a year. <http://www.insidehousing.co.uk/tenancies/welfare-reform-could-cost-landlords-%C2%A314bn-a-year/6526989.article>

Rising cost of unnecessary evictions

Evictions are not simple and quick or inevitable and estimates are that in fact they will be extremely costly for a local authority.

Leeds City Council

The council estimates that the average loss average loss in rental income for a council tenant unable to pay the bedroom tax is about £580 per year. Shelter, the homeless charity, estimates the average cost of an eviction is just under £6,000 per case. Should the evicted tenant qualify for

re-housing under homelessness laws, which is very likely, this would add another £5,300 per year in temporary accommodation and then re-housing. On top of this are other costs such as legal aid and the much larger indirect costs on other public services.

It could cost the public purse at least £11,300 to evict tenants who owe just £580 in rent arrears. If this is then multiplied across the 6,748 council tenancies currently affected, the cost could be in the region of £76m, the majority of which would fall on Leeds City Council. (*Hands off our Homes* <http://handsoffourhomes.org.uk/> April 2013)

There have been some unilateral and joint announcements of protection (against eviction) by some local authorities and social landlords for those tenants who fall into rent arrears.

Efforts to re-classify or re-designate properties (as smaller properties) are becoming a common tactic by authorities when there are no other properties available for people to move into. Some councils have said that although they would lose rent as a result of reclassification of council properties they would make more savings by avoiding the legal costs and additional staff resources required for chasing unpaid rent.

Some housing associations however have stated that they may not be able to fund reclassification as the reclassification of properties to smaller ones involves reducing the rent amounts they can get for them so it wouldn't be long before that impacts on the quality of houses. Reclassification of properties could also lead to a reduction in rental income from properties, potentially affecting landlord's existing and future ability for loan agreements.

“There are significant financial implications of reclassifying homes which will have a knock-on effect on the amount of money which we can reinvest into the services that we provide. Any reduction in the number of bedrooms in a property reduces the rent that can be charged for that property. This reduces the amount of income generated and therefore the amount of money available to be spent on repairs, improvements and services. Salix Homes is a not-for-profit organisation so any reduction in income does not affect turnover in the sense of profit but may affect staffing levels and services to tenants.” Salix Housing April 2013

3. There is not enough money in the Discretionary Housing Payments (DHP)

The government has not allocated sufficient funding to meet the needs of all those in the specific circumstances stated, and since DHP's will also be needed as a result of other aspects of welfare reform (such as the benefit cap and the changes to council tax benefit), there will not be sufficient resources to help all households affected.

The DHP budget allocated for 2013/2014 is just one-fortieth of the £1.6 billion cuts in the housing benefits area. Of the £155 million DHP budget £25 million has been set aside to meet the needs of disabled people who need to remain in their current home until other properties are adapted.

The DHP payments do not offer any long-term security, and are insufficient to meet the needs of all those affected.

4. Underlying housing problems that are simply not being addressed

The housing crisis is the result of a generation or more of failed policies that need urgent redress. Housing has now become an investment opportunity for a few, while for many it is a constant source of anxiety, insecurity and debt.

The real problem is that there is simply not enough affordable social housing in the UK:

- social housing stock has declined from 5.5 million homes in 1980/81 to 3.8 million homes in 2010/11 according to government figures
- under the Conservative government's 'Right-to-Buy' scheme between 1980 - 1998 approximately two million council homes were sold off without ever being replaced
- there was a 77.3% real term decrease in government spending on housing between 1980/81 and 2000/01
- fair rent tribunals were also abolished by the same government - these had allowed private tenants some protection from profiteering landlords
- there are now 1.8 million (one in 12 people) in England on council waiting lists
- the 2008 financial crisis led to an increase in the mortgage deposits demanded by banks. With social housing stock depleted, many people are trapped in costly rented accommodation

- 2001 to 2011 the price of the average home increased by 94%, while wages rose by just 29%
- 4.8 million (18%) UK households were renting privately in 2012
- rent in London is now 46% higher than the national average.

Not only is there now a shortage of council and social housing but in particular one and two bedroom properties in this sector. Without any regulation, licensing or rent controls private landlords have relentlessly pushed up its rents to unaffordable levels.

The National Housing Federation research shows that the ‘bedroom tax’ will fail to solve overcrowding and is likely to cost more. “If everyone affected did decide to move, many would have to go into the more expensive private rented sector, which would mean in some cases housing benefit claims could actually increase”

<http://www.housing.org.uk/media/press-releases/bedroom-tax-some-home-truths>

In particular the report highlights that “If disabled people in adapted properties moved into smaller homes this could also cost the taxpayer millions more in costly home adaptations. Some 77% of people on Disability Living Allowance live in the social housing sector and two thirds of the people hit by the bedroom tax are disabled. Around 100,000 households live in properties adapted for their needs, some through local authority grants at an average cost of £6,000”

We need to campaign to get the government to urgently address the issues of providing, affordable social housing and regulating and licensing the private rented sector.

Challenges to the bedroom tax

Legal challenges

The High Court in England is considering 10 claims being brought against the government (May 2013). The claims, made by a range of people affected by the ‘bedroom tax’, challenge the new welfare rules on varied grounds of infringement of children’s rights, disability rights and human rights. UNISON will update on the outcome of these legal challenges and the implications once they become clear.

Toolkits to challenge local authority decisions

There are toolkits designed to help individuals challenge ‘bedroom tax’ decisions – all challenges have to be done within a months’ notice of the council’s decision. You can only appeal later than this if you have a good reason for the delay, such as illness. However, some local authorities are now extending the appeal time and making it easier for tenants to make appeals.

The toolkits include a dispute form you can complete and send to your local authority. Some also includes a list of arguments that may help to challenge a decision, for example that it breaches your human rights in some way, or that a room has wrongly been classified as a ‘bedroom’

Carer’s UK toolkit for carers seeking a challenge

<http://www.carersuk.org/help-and-advice/help-with-money/help-with-household-finances/bedroom-tax/challenging-a-bedroom-tax-decision>

In Scotland a toolkit guide from **Govan Law Centre** explains how you can challenge the decision on your housing benefit

http://scotland.shelter.org.uk/__data/assets/pdf_file/0014/652001/Challenging_your_bedroom_tax_decision_GLC_toolkit.pdf

Make sure you keep up to date with changes and advice on the ‘bedroom tax’ and look out for UNISON updates

What you can do if you are affected by the bedroom tax

1. Use Shelters ‘bedroom tax’ checker to see if you will be affected

http://england.shelter.org.uk/get_advice/downloads_and_tools/bedroom_tax_checker

2. Get financial assistance to help you find the extra money to pay your rent each week. Ask your local job centre or the council what financial budget help is available to prevent you getting into arrears.

3. Check out advice and options from housing organisations such as Shelter

Shelter England: http://england.shelter.org.uk/get_advice/housing_benefit_and_local_housing_allowance/changes_to_local_housing_allowance/bedroom_tax_what_you_can_do

Shelter Scotland: <http://scotland.shelter.org.uk/>

4. Apply immediately for a Discretionary Housing Payment (DHP) from your local council to assist with making up the shortfall payments in your rent.
5. If your application for a DHP is unsuccessful then seek further advice immediately.
6. For help with financial concerns contact your UNISON welfare officer or visit www.unison.org.uk/thereforyou for information on help that is available.
7. Talk to your branch and welfare officer about the UNISON and Credit Union partnership scheme.
8. Read UNISONs other briefings on specific issues of Universal Credit (UC) and watch out for further updates and guidance.

Join UNISON’s campaign against the bedroom tax

Write to your MP <http://www.theyworkforyou.com/mps/> and **local councillors** <http://www.writetothem.com/> to raise concerns about the:

- impact of the bedroom tax on families and children been uprooted from their communities and schools
- lack of affordable or appropriate housing to adequately meet the requirements of the new welfare reforms
- the costs to implement and meet the impacts of the housing bedroom tax being placed on local authorities with no additional and limited resources due to austerity budget cuts
- the lack of clear efficacy Discretionary Housing Payment (DHP) criteria or sufficient DHP funds being made available to local authorities

Use your local media and social media (twitter and facebook) to raise awareness around the unfairness of the benefits cap

- write a letter to your local newspaper about the impact of the bedroom tax on the community
- promote local community housing and tenant campaign groups linking the unfair bedroom tax campaign to the wider campaign for the need to address current housing problems: rocketing private rents with no rent controls on what private landlords can charge and the lack of affordable housing as the root problem
- promote good practice models of local authorities working together with housing association landlords

and private landlord to prevent and avoid eviction practices

- promote good practice models of local authorities implementing alternative housing solutions to meet the requirements of the bedroom tax and changes such as the benefits cap

Join local community campaign groups

For details of local campaign groups and activities see

False Economy – <http://falseeconomy.org.uk/>

Campaign for benefit justice – <http://benefitjustice.wordpress.com/>

Further information and resources

Discretionary Housing Payments – http://www.turn2us.org.uk/information__resources/benefits/housing_costs/discretionary_housing_payment.aspx

DWP Discretionary Housing Payments Guidance Manual - Including Local Authority Good Practice Guide April 2013 <http://www.dwp.gov.uk/docs/discretionary-housing-payments-guide.pdf>

Shelter England – Bedroom tax – http://england.shelter.org.uk/get_advice/housing_benefit_and_local_housing_allowance/changes_to_local_housing_allowance/bedroom_tax_from_april_2013

Shelter Scotland – Bedroom tax – http://scotland.shelter.org.uk/get_advice/advice_topics/paying_for_a_home/housing_benefit/the_bedroom_tax

National Housing Federation advice – <http://www.housing.org.uk/policy/welfare-reform/>

DWP Helpline – 0845 608 3557 Text phone 0845 608 3557

Citizens Advice Bureau – 0844 411 144/0300 3300 650

Housing and Council Tax benefit and DHP – contact your local council

UNISON There for you service – <http://www.unison.org.uk/thereforyou/index.asp>

This is one of a series of briefings on welfare reform that contain useful information about government changes to welfare and benefits. These can be found at http://www.unison.org.uk/WELFARE/news_view.asp?did=8544