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## Consultation response

# Age UK's Response to the Work and Pensions Committee Inquiry into changes to Housing Benefit

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## **About this consultation**

In the June 2010 Budget the Coalition Government announced a range of changes to Housing Benefit. Overall these are expected to cut expenditure by £220 million in 2011-12 rising to £1,760 million in 2014-15<sup>1</sup>.

The following changes are due to come into effect in 2011-12:

- The imposition of a cap on Local Housing Allowance (LHA) based on numbers of bedrooms (April 2011).
- The removal of the £15 weekly excess provision already announced by the previous Government (April 2011).
- Calculation of LHA rates so that only 30% of the private rented market, in any location, will be covered by LHA. (Oct 2011)
- A staged increase in deductions for non-dependents from 2011.
- Adjustment to the LHA size criteria to allow an extra bedroom for a non-resident carer if the disabled person has a need for overnight care (April 2011)
- Funding to local authorities for discretionary housing payments will increase by £10 million in 2011 and by £40 million a year after that.

Further changes are planned in the future:

- From 2013-14 LHA rates will be uprated in line with the consumer price index rather than on the basis of local rents.
- From April 2013 Housing Benefit for people of working age in the social rented sector will be restricted if they are considered to be under-occupying
- From April 2013 Housing Benefit awards will be reduced by 10% for people who have been claiming Jobseeker's Allowance for more than 12 months.

The Work and Pensions Committee's inquiry asks about the implications of the changes for: incentives to work and access to low paid work; levels of rent; shortfalls in rent; evictions and homelessness services; landlord confidence; community cohesion; disabled people, carers and specialist housing; and older people, large families and overcrowding.

# Age UK's key points and recommendations

The wider impacts of the reforms must be considered before changes to Housing Benefit are made including the impact on other national and local provision and the availability of suitable affordable housing that meets the needs of older people.

While a minority of older people live in the private rented sector the number is likely to grow. Older tenants are more likely to be living in poverty and in poorer housing conditions than older people outside of this sector.

Age UK is very concerned about the impact of the LHA changes on older and disabled private tenants. Some 8 per cent – around 80,000 - of those subject to the LHA are older people.

If older tenants have a shortfall in rent and are unable to move to cheaper accommodation they may end up with such low incomes that their health is at risk.

Many older tenants will find it difficult to find suitable alternative affordable accommodation with access to family, friends and local facilities.

If the changes do go ahead then the Government needs to look at ways to mitigate the impact such as: higher levels of LHA for vulnerable groups, transitional measures, improved housing information and advice services, and a higher budget for discretionary housing payments.

Age UK strongly supports the proposals to allow LHA to fund an extra bedroom for a resident carer. This should also apply to couples who need separate bedrooms due to disability or medical need.

We are concerned that changes to non-dependent deductions could result in older Housing Benefit claimants facing a shortfall in rent.

The proposal to restrict Housing Benefit for people receiving Jobseeker's Allowance for more than a year is likely to particularly affect unemployed people aged over 50. Age UK believes this group needs support rather than financial penalties.

If the changes go ahead there should be close monitoring of the effects for individuals and more widely including the impact on the private rented sector, homelessness, unemployment and pressures on local services.

## 1. Introduction and background

1.1 Age UK welcomes the opportunity to respond to the Work and Pensions Committee's inquiry. The changes were announced in the June 2010 Budget in the context of the Government wanting to restrict spending on Housing Benefit, provide better work incentives, and produce a system that is fairer for those who do not rely on welfare.

1.2 The proposed changes will cut spending on Housing Benefit but some of the savings could be offset by pressure on other services including local authority provision. The Equality Impact Assessment states that the DWP is looking at the wider impacts. These will need to be considered before any changes take place.

1.3 The Government should also consider the supply of suitable housing. For example it needs to be recognised that a key factor in the increased use of the private rented sector by older people, particularly in more expensive parts of London, is the lack of affordable social and retirement housing in the right location.

1.4 Housing Benefit provides vital support to many low income older people. The Government needs to show how it can maintain its commitment to protect vulnerable groups while reducing benefits aimed at low income households.

1.5 In this response we focus on aspects of the changes which will affect older tenants for whom work incentives are of little relevance. Before looking specifically at the benefit proposals we first provide some background about older private tenants.

### **Older people in the private rented sector**

1.6 Traditionally, older private tenants have been given much less attention than other groups living in the sector. It is often seen as a tenure for mobile younger people of working age moving between different types of accommodation. Yet, it is estimated that there are over 500,000 older people living in the private rented sector, which is comparable to numbers living in the retirement housing sector. This figure is likely to rise and landlord agencies, such as the National Landlords Association, are already looking at the implications of a continued rise in demand from older people<sup>ii</sup>. Many older people have been encouraged to retire to private rented accommodation due to location and promised access to LHA. Although many have assured shorthold tenancies they expect to remain in the same accommodation over the long term. Older people may have moved to what was a low rent area to be close to family but have seen rents rapidly escalate over time due to area improvement and a shortage of alternative accommodation. They have not deliberately settled in a high rent area. This is true of both regulated and assured shorthold tenants.

1.7 Older private tenants face some of the worst housing conditions in comparison with other tenures. The English House Conditions Survey (2006) showed that 1.2 million properties in the private rented sector were non-decent (46.8% of the overall total). Older private tenants are also more likely to be in poverty than other older people. After meeting their housing costs 30 per cent of older private tenants are in poverty (defined as income below 60 per cent of median income) compared to 24 per cent of social rented sector tenants and 16 per cent of all older people<sup>iii</sup>. In addition, older private tenants have had limited access to housing related support provided under Supporting People, including help with repairs and adaptations.

## **2. Impact of reforms to LHA**

2.1 In May 2010 there were just over one million LHA private sector tenants. Information about the impact of the reforms in 2011-12 is set out in the Impact Assessment<sup>iv</sup> and Equality Impact Assessment<sup>v</sup>. These show that virtually all LHA benefit claimants lose out once changes are rolled out as compared to the current

position. The average loss will be £12 a week. Losses vary across the country with 12 per cent of LHA recipients in London losing £30 a week or more.

## **Older people affected**

2.2 Around 1.6 million people aged 60 and over receive Housing Benefit. Most of these are in the social rented sector or in regulated private tenancies so will not be affected by changes to the LHA. However even though only 8 per cent of those subject to the LHA are older people this still amounts to around 80,000 claimants, of whom nearly 52,000 are in receipt of Pension Credit guarantee. Most of these will not yet be aware of the planned changes but we are already starting to hear from people who are concerned about the likely impact.

*A woman in her 70s with health problems moved out of London and is now very happy in her property in East Anglia. She had expected to live there for the rest of her life or until she needs to move to receive care. She has heard about the changes and as her rent is in line with median rent levels she is concerned that if LHA rates are linked to the 30 per cent level she will not be able to afford her rent. She is worried about the effort and expense of moving but also that she might have to move to cheaper accommodation in a rougher area where she would not feel secure or to a poor quality property that would worsen her health problems. She described her landlord as very good but cannot see him reducing the rent saying he is a businessman not a social worker.*

(Phone call to Age UK)

2.3 The introduction of rent caps would particularly affect people in London as just 7 per cent of private rented sector properties in Broad Rental Market Areas would be available within the LHA limit after reform. Up to now Age UK has received relatively few enquiries about LHA under the current system but we would expect to hear of many more cases such as the one below if the reforms are introduced.

*An older woman moved to her present accommodation in London 12 months ago. Her rent is higher than the LHA but she has been able to meet the shortfall from her Pension Credit. Her landlord does not know she is on Housing Benefit and she thinks he wouldn't be very happy with this. She does not want to move because she is settled in her home and it is close to her son. Unfortunately the area in which the lady lives has been reassessed by the council and the LHA has been reduced considerably. The woman now receives £130 less per month making her home unaffordable as this leaves her with less than £40 a week to live on. (Inquiry to local Age Concern)*

2.4 People whose rent is within the new LHA levels are still likely to lose in cash terms due to the withdrawal of the £15 excess. People on low incomes often budget carefully and take out commitments based on their fixed incomes and a drop in income could have a detrimental impact.

2.5 The proposal to index the LHA to the Consumer Price Index in 2013-14 is likely to exacerbate the problem as over time maximum rent levels covered by the LHA will reduce. Unless the changes have a significant downward impact on rent levels, an increasing number of low income private tenants will find it difficult to find decent affordable accommodation.

## 3. Shortfalls in rent

3.1 Where under any proposed changes older private tenants find their benefit is restricted they have a number of options: meeting the shortfall from their regular income, trying to negotiate with their landlord, looking for help with the shortfall or moving to cheaper accommodation.

### Using income to meet the shortfall

3.2 Older private tenants are already at greater risk of poverty than other pensioners. The numbers facing financial difficulties are likely to increase if people end up meeting shortfalls in rent from Pension Credit or other income. People's health may be at risk if they cut down on essential items such as heating and food. They are also at risk of increasing social exclusion and poor mental health as restricted income can limit the ability of older people to get out and about and to socialise.

### Negotiating with landlords

3.3 We are not able to assess whether any restriction in LHA will have a general impact on rent levels or enable individuals to negotiate with landlords for a reduction. This is likely to vary across the country depending on local demand for rented accommodation. However it is likely that many older tenants will be reluctant to try to negotiate a lower price especially if there is limited alternative accommodation around. Where people are happy in their accommodation they will not want to upset their relationship with their landlord by trying to reduce the amount of rent they pay.

### Meeting the shortfall

3.4 The planned increase in discretionary housing payments will help some who are facing shortfalls but the increase by £10 million in 2011-12 and by £40 million a year from 2012-13 represents a very small sum compared to expected cuts of £220 million in 2011-12 rising to around £1.8 billion by 2014-15. Alternatively people may look for help from family, friends or charities. Many older people will be reluctant to ask for support often preferring to cut costs rather than seek help. In any case, given the current financial climate available support will be limited.

### Housing options and vulnerable groups

3.5 Part of the intention of the reforms is to further encourage tenants to 'shop around' and negotiate a lower rent. We are concerned that this could result in older tenants having to move to substandard accommodation in poor areas away from friends, family and facilities. It will be particularly challenging for those who suffer from ill health or a disability and may need access to a nearby hospital or local care and support services. Older tenants currently living in accessible or adapted accommodation may find it difficult to find comparable lettings in other areas given the reduction in choice as a consequence of reform.

3.6 Many older tenants do not have access to housing information and advice services or the internet and will find it extremely difficult to identify suitable housing options. Even where they receive information about available properties for some it will be physically difficult to travel around to see potential new homes.

3.7 We are also concerned about the implication for extended families, particularly in the BME community. Older people often play a key role in maintaining and caring for their family or rely on their family to receive care and support themselves. A lack of options for families could remove this support structure, create hardship and may consequently put an increasing burden on statutory services over the longer term.

3.8 There may be particular problems for older homeless people who may have physical or mental health issues, perhaps combined with drug and alcohol problems. To live independently they may require regular access to ongoing specialist resettlement support from a local agency.

3.9 Where people are unable to meet their rent or find suitable accommodation this could result in rent arrears and in some cases eventually in eviction. This would not only cause great distress but put extra pressure on local authorities and homelessness services.

## 4. Community cohesion

4.1 The suggested reforms are likely to push older and younger private sector tenants on low incomes away from parts of London and other high rent areas. This outcome fails to recognise the vital role that many who receive benefits, including older people, play in promoting community cohesion for example through voluntary work, as carers for disabled people, or looking after grandchildren so their parents can work.

4.2 We are also concerned that if rent restrictions force younger people out of expensive areas this could have a knock on impact on older relatives. Where families have lived in areas in London or other high rent areas all their life, older local authority tenants may have family members who have moved out to private rented accommodation supported by Housing Benefit – in some cases topping up low pay. If younger members are forced to move away this would also impact on their relatives.

## 5. Safeguards

5.1 As set out above we have serious concerns about the impact of restricting Housing Benefit. If the proposed changes do go ahead we believe that the Government should look at ways of protecting vulnerable groups such as older and disabled claimants and ensure that if people are forced to move they receive the help they need to find decent alternative accommodation near friends, relatives and support networks. Older people on low incomes who have little opportunity to improve their financial circumstances should not face being made homeless or find themselves in accommodation that is detrimental to their health and well being.

Measures that could provide support include:

- Higher levels of LHA where people are vulnerable for reasons such as disability or have a particular need for support.
- Transitional measures to cushion the impact. This could be through introducing the changes gradually or applying them to only new claims.

- Increased provision of housing information and advice around housing options and financial support.
- An increased budget for discretionary housing payments.
- Clear personalised communication about any changes that could reduce benefit provided well in advance.

5.2 We would also like further assurance that the rights of regulated tenants will be protected from the impact of further reform. Many regulated tenants who already experience hardship are extremely anxious about the implications of further reform.

## 6. Extra bedroom for non-resident carer

6.1 Age UK strongly supports the change that will allow LHA to fund an extra bedroom where the claimant or their partner is disabled and requires a non-resident carer to stay overnight. This change is estimated to help around 10,000 people. Older tenants will particularly benefit as just over half of those with non-resident carers are older people. This change is likely to be widely welcomed by individuals and organisations and we note that the Select Committee in its last inquiry into LHA asked for further action on this issue.

6.2 We believe that this provision should also be extended to couples where disability or medical need means that sleeping in separate rooms is important in order to allow both partners sufficient rest.

## 7. Non-dependant deductions

7.1 We understand the principle behind reducing benefit when there is a non-dependent living in a property but are concerned that in practice older benefit recipients can end up with a shortfall. If the changes are also intended to apply to Council Tax Benefit then this will exacerbate the problem for tenants and homeowners. The assumption is that a non-dependent should contribute some of their income to the household but there is no guarantee that this will actually happen. An older tenant may be reluctant to ask for payment from a non-dependent – perhaps a son or daughter living with them - if they are receiving support or companionship or if the non-dependent has financial difficulties. Furthermore the non-dependent system is complicated so the claimant and/or the non-dependent may not fully understand why deductions are made. Before changes are made the Government should look in more detail at the scheme and its impact to ensure that the system is fair and better understood.

## 8. Restriction for JSA claimants

8.1 The proposal to restrict Housing Benefit by 10 per cent after one year for people receiving Jobseeker's Allowance (JSA) could particularly affect older unemployed people who often face major barriers in getting back to work including age discrimination, poor skills and a lack of tailored support and training opportunities. Age UK believes this group needs support rather than financial penalties.

8.2 Recently published Labour Market Statistics showed that over two in five (43 per cent) of unemployed people aged 50 and over – a total of nearly 170,000 people –

have been out of work for more than a year<sup>vi</sup>. This is the highest rate of any age group. Furthermore, a study in 2006 – before the recession – showed that men out of work in their 50s have only a one in five chance of being in a job two years later<sup>vii</sup>.

8.3 The number of older unemployed people is likely to increase as a direct result of the migration from Incapacity Benefit to Employment and Support Allowance. Around one million people aged 50 or over receive Incapacity Benefit and some will be newly classified as unemployed and moved to JSA at a time when there is great competition in the labour market. Many of these will have been receiving Incapacity Benefit for some time and be a great distance from the labour market. It is essential that the Work Programme adequately supports these claimants and helps them to improve their skills, but even so there will be many who will not be able to find work.

8.4 JSA is only paid if someone has entered into a jobseeker's contract and is complying with the directions. Therefore in order to receive benefit people must already be actively taking steps to find work. Levels of JSA are low – the basic rate of income-related allowance for a single person over 25 is just £65.45 a week. We are concerned that older long-term unemployed tenants will face major problems in returning to work but will have to find 10 per cent of their rent from this low figure. This could force people deeper into debt and poverty, restrict spending on essentials such as a warm home and a healthy diet and increase social isolation. The increased stress could further reduce prospects of finding employment.

## 9. Conclusions

9.1 We understand that the Government needs to reduce spending and is concerned about the increasing Housing Benefit bill. However we are concerned that as proposed the changes will affect vulnerable low income older people and others and will not necessarily achieve the aims of providing greater incentives to work and a fairer benefit system. Social security support for rent needs to be considered in a broader context including the provision of adequate affordable housing.

9.2 If the changes go ahead there should be close monitoring of the effects for individuals and more widely including the impact on the private rented sector, homelessness, unemployment and pressures on local services.

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<sup>i</sup> *Budget 2010* HM Treasury.

<sup>ii</sup> *Tenure Trends in the UK Housing System*, Building and Social Housing Foundation, 2010

<sup>iii</sup> *Households below average income 1994/95-2008/09* DWP, 2010

<sup>iv</sup> *Equality Impact Assessment of Housing Benefit* DWP, 2010

<sup>v</sup> *Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-2012* DWP 2010

<sup>vi</sup> *Market Statistics*, ONS, Aug 2010

<sup>vii</sup> *English Longitudinal Study of Ageing* 2006