

**The Work and Pensions Committee  
Inquiry into the Impact of the changes to Housing Benefit announced in the  
June 2010 Budget**

**Submission from the Centre for Research in Social Policy,  
Loughborough University  
(06 September 2010)**

**Centre for Research in Social Policy**

1 The Centre for Research in Social Policy (CRSP) is an independent research centre based in the Department of Social Sciences at Loughborough University. The Centre, established in 1983, employs 20 researchers and has a national and international reputation for high quality applied policy research. The Centre conducts research funded by government departments, the Economic and Social Research Council, the European Union and charitable trusts such as the Joseph Rowntree Foundation and Save the Children.

2 CRSP has recently completed research for the Department for Work and Pensions that explored tenants' and advisors' experiences of the Local Housing Allowance following its national rollout in April 2008. The research was conducted in five local authority areas and included in-depth interviews with tenants (in receipt of LHA) and with advisors from the local authority as well as advisors from independent advice agencies. This research forms part of the Department's two year review to monitor the impact of LHA at a national level. The research report is due to be published in October 2010. CRSP was also a member of the consortium that evaluated the Local Housing Allowance Pathfinder for the Department for Work and Pensions. As part of this consortium CRSP had responsibility for the stream of research which focused on claimants' experiences and views of LHA. This submission draws on evidence from our research with LHA claimants and advisors.

3 References for published reports:

Hartfree, Y., Whitfield, G., Waring, A., Sandu, A. and Hill, K. (forthcoming) *Tenants and Advisors Early Experiences of the Local Housing Allowance National Rollout*, Department for Work and Pensions.

Hill, K., Harvey, J., Phung, V-H., Sandu, A. and Roberts, S. (2007), *Local Housing Allowance Final Evaluation: the qualitative evidence of claimants' experience in the nine Pathfinder areas*. Local Housing Allowance Evaluation Report 13, Department for Work and Pensions, Corporate Document Services, Leeds.

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[http://www.crsp.ac.uk/downloads/publications/lha/lha\\_quali\\_evidence\\_of\\_claimants\\_experience\\_13.pdf](http://www.crsp.ac.uk/downloads/publications/lha/lha_quali_evidence_of_claimants_experience_13.pdf)

## **The impact of reducing Housing Benefit awards to 90% of the initial award after 12 months for claimants receiving Jobseeker's Allowance**

4 Reducing the amount of Housing Benefit that JSA claimants receive will cause a shortfall between their Housing Benefit entitlement and their rent. The key question that needs to be considered is to what extent claimants will be able to meet this shortfall.

5 Our research has shown that most tenants in receipt of LHA prioritise paying their rent above all other financial activities and take this financial responsibility very seriously. However, most are living on very low incomes and some are already having difficulty in managing their finances. Living on a constrained budget means that there is very little, if any, leeway in their budgeting and even fairly small additional expenditure can cause financial pressure. To make ends meet some tenants already have to cut back on their spending, for example, by limiting their use of heating, by not buying new clothes or buying treats for their children. Paying a rent shortfall of 10% will put further pressure on household budgets.

6 Some tenants already have rent shortfalls that they are struggling to pay. In our recent research on the LHA national rollout around half of the tenants interviewed had an LHA shortfall. Some of these shortfalls were a result of under-occupancy, or because a tenant was only entitled to a partial HB payment (where one or more of the household was working). Others were due to having deductions made from their LHA as a result of receiving an HB overpayment due to administrative error. For example, one interviewee had a deduction of £30 a fortnight taken from his LHA payment due to a past Housing Benefit overpayment. A new issue that arose in the LHA national rollout research was that some tenants were experiencing a shortfall in the amount of LHA they received as a result of their LHA entitlement falling, following the annual review of their claim. For example, one tenant who had been aware of their entitlement prior to their property search and who had spent a long time finding a suitable property where the rent equalled LHA, was now facing an unexpected shortfall of £20 a week.

7 An important point to note is that managing rent payments is made harder for tenants as a result of the way HB is administered. The mismatch between HB payment cycles that are made on a fortnightly or four weekly basis, and rents that are charged by landlords on a monthly basis, makes budgeting and paying rent more complicated for tenants. Thus, even where a tenant receives an LHA entitlement that is equal to their rent, they can feel like they are having to pay a 'shortfall'. Alignment of HB payment cycles with monthly rent payments would help tenants manage their rent. The following illustrates a hypothetical example of how tenants can experience a 'shortfall' when LHA is received every four weeks, but rent is paid monthly:

If rent is £400/month and LHA is paid on a four-weekly cycle, then the tenant will receive an LHA payment of £369.24 every four weeks. Each month the tenant feels that they are paying a 'shortfall' of £30.76 from their own money. They have to wait a whole year until they get their 13th LHA payment to offset this misalignment.

8 Most tenants in receipt of LHA are already under financial pressure. In our view, reducing the amount of HB entitlement to 90% of the initial award will cause additional financial pressure that some tenants will be unable to cope with. This will result in some tenants falling into rent arrears that they are unable to repay, and which could lead to them losing their tenancy.

9 Looking at the alternative options available to tenants who are unable to afford a rent shortfall, in our research there have been some cases where tenants have been successful in negotiating a reduced rent with their landlord, but this is not very widespread. Moving to cheaper accommodation is not always an option. Tenants' housing decisions are shaped by personal reasons such as being close to family, proximity to schools, employment opportunities and amenities. Tenants we have spoken to often feel unable to move, with a lack of deposit money being a main barrier to moving.

### **The impact of changes to Housing Benefit on work incentives**

10 Recent research on the national rollout of LHA included Islington as one of the five case study areas. Local authority advisors in this area felt that the significantly higher rates under LHA were acting as work disincentive, whereby claimants would not be able to afford their rent if they moved off LHA and into work. Thus, reducing LHA rates may improve work disincentives in areas such as Islington. This was not raised as an issue in any of the other case study areas.

11 More generally our research has found that there is a lack of clarity and understanding of LHA as an in-work benefit. Better provision of information to broaden claimants' understanding about the relationship between HB and work could help to reduce barriers.

### **Changes to Local Housing Allowance rates**

12 Any changes made to how the LHA rates are set will need to be communicated to claimants. Most tenants we have interviewed do not understand how LHA entitlement is calculated and many have not been aware of their entitlement prior to embarking on their property search. Where tenants have not known what their LHA entitlement is they have often assumed that it will be similar to the amount of HB they received previously.

13 The risk of not fully publicising future changes and explaining to tenants how the changes will impact on them, is that tenants find themselves with unexpected rent shortfalls that they cannot meet. Informing tenants of changes to LHA rates by letter is unlikely to be sufficient. Furthermore, our research has found that information given to tenants by Local Authority staff is described as being 'patchy' and sometimes conflicting. This would need to be addressed.