

# Housing Benefit

## National Pensioners Convention Briefing

March 2013



### Introduction

As part of the Government's Welfare Reforms, changes are being introduced to the way in which Housing Benefit is paid. Part of these changes includes the removal of what ministers have called the 'Spare Room Subsidy', but which is more widely known as the 'Bedroom Tax'.

### What do the changes mean?

From April 2013, the Government will introduce new size criteria for housing benefit claims in social housing. As a result, those aged between the age of 16-65 and who have a spare bedroom, will receive less housing benefit and will have to pay the difference to their landlord or move to a home that has a smaller number of rooms.

The following people are assessed as needing their own bedroom:

- a couple
- a single person over the age of 16
- siblings of different genders over the age of 10, but siblings of the same gender are expected to share

### Who will be affected?

All claimants who are deemed to have at least one spare bedroom will be affected.

This includes:

- Separated parents who share the care of their children and who may have been allocated an extra bedroom to reflect this. Benefit rules mean that there must be a designated 'main carer' for children (who receives the extra benefit)
- Couples who use their 'spare' bedroom when recovering from an illness or operation, or who need to sleep apart for medical reasons
- Parents whose children visit, but are not part of the household
- Families with disabled children
- Disabled people including people living in adapted or specially designed properties
- Those women who would previously have received the state pension at 60 and been exempted from the changes, but are now affected by the increase in the State Pension Age.
- Those under qualifying age for Pension Credit which, for both men and women is linked to women's State Pension age. Couples not affected by this change at the point of introduction will be those where either the claimant *or* their partner has reached the qualifying age for Pension Credit
- From October 2013, under the Universal Credit new housing benefit claimants who are mixed aged couples and claiming Pension Credit will not be exempt

when they transfer on to Universal Credit. So if you are a pensioner living with a younger partner of working age, you will be liable for the bedroom tax

### **How much money will people lose?**

If you live in council accommodation or other social housing and are assessed as having at least 1 extra bedroom in your house, your Housing Benefit could be reduced by:

- 14% of the 'eligible rent' if you have 1 extra bedroom
- 25% of the 'eligible rent' if you have 2 or more extra bedrooms

The reduction is worked out based on your eligible rent (including any eligible services), not on your Housing Benefit. Eligible rent is described as being a reasonable rent for a suitable property where you live.

### **Example**

Your eligible rent is £100 per week.

Of this, Housing Benefit pays £50 and you pay £50.

You have 1 extra bedroom so the reduction is 14%.

This means your Housing Benefit will be reduced by £14 per week.

### **How many people will see their benefit cut?**

The proposal will affect an estimated 660,000 working-age social tenants – 31% of existing working-age Housing Benefit claimants in the social sector. The majority of these people have only one extra bedroom.

### **Other limits to Housing Benefit**

In addition, the government has already introduced a limit on the amount of Housing Benefit individuals can claim, depending on the type of property they are renting. The exact amount depends on the Local Housing Allowance in each area, as well as your circumstances and your income, but the maximum weekly limits laid down are as follows:

1 bedroom (or shared accommodation)	Up to £250
2 bedrooms	Up to £290
3 bedrooms	Up to £340
4 bedrooms	Up to £400

### **Exceptions**

If you've been getting Housing Benefit since before 7 April 2008, these limits only apply if you change address or have a break in your claim for Housing Benefit.

### **How will the Bedroom Tax operate under the Universal Credit?**

There are some differences between how the bedroom tax will operate under Housing Benefit (from April 2013) and under Universal Credit when it is introduced. These differences are summarised in the following table:

From April 2013	Under Universal Credit
Those over State Pension Credit age will not be affected, including where one member of a couple is over.	Mixed age couples - both will need to be over pension age to not be affected by the bedroom tax. Those where one is already in receipt of Pension Credit prior to the Universal Credit being introduced will however be protected.
Non-dependant deductions (NDD): six separate rates varying by income and under 25s on benefit are exempt.	One, flat-rate Housing Cost Contribution (HCC). All under 21s are exempt from HCC.
Non-dependants: couples get one room between them. They pay the NDD unless both are exempt.	Each adult non-dependent gets a room. Each pays the HCC unless exempt.
Lodgers get a room but income is taken into account and deducted pound for pound from benefit apart from first £20.	No room allowance but any income from lodgers is disregarded.
In joint tenancy cases the bedroom tax can still apply.	Bedroom tax not applied in joint- tenancy cases.
Protection on death for up to 52 weeks.	Benefits run-on for 3 months.
13 week protection where the tenant could previously afford the rent and Housing Benefit has not been claimed in the last 52 weeks.	Size criteria applies immediately.

### What about students?

From April 2013, parents will not be penalised if a student is away, as long as he or she sleeps at home for at least two weeks a year. But when Universal Credit comes in from this autumn, students will need to be at home for at least six months to avoid a benefit cut.

### What about lodgers?

From April 2013, claimants with a paying lodger will be allowed to keep the first £20 of weekly rent. But Housing Benefit will be then be cut, pound for pound, on the rest of the rent they receive. However, after Universal Credit is established, Housing Benefit will be cut, but tenants will be allowed to keep all the rental income (although only the first £4,250 of annual rent is free of income tax).

### Analysis

The NPC is obviously concerned at the impact these changes might have on older people, both now and in the future. There are also some immediate concerns as to the fairness and practicalities of the change, as follows:

- Forcing people to downsize, and penalising them if they refuse to do so, takes no account of the availability of suitable alternative housing. This will have a major impact on tenants with disabilities, those on low incomes, and the over 40s. Many of those affected will be longstanding, loyal tenants, whose children have 'flown the nest'. For example, in Hull, 4,700 people are affected by having a spare room, but there are only 73 smaller properties into which people could downsize.

- More than 67,000 pensioners could be hit by the bedroom tax - despite the government's insistence the policy will only apply to people of working age. Research carried out by the Chartered Institute of Housing shows there are 67,000 households on housing benefit where one partner is over pension age and one is under. Although these people won't be hit by the bedroom tax, from April, they will be hit by the penalty when they move on to the new Universal Credit after October.
- This change also comes on top of other cuts that have already been introduced to housing and other benefits, reductions in tax credits and upcoming changes to the way benefits are paid.
- The government's impact assessment of the changes says 420,000 of the 660,000 households that will be affected contain someone with a disability. The National Housing Federation (NHF) believes this will cost disabled people £100m. The NHF analysed the gap between the £30m of discretionary housing payments the government is making available to vulnerable people who will be hit by the penalty and the reduction in income they will receive. It found if the £30m is distributed evenly between people who receive disability living allowance they will get an average of £2.51 a week, but will lose an average of £14 a week through the bedroom tax.
- Research by Housing Futures Network shows 42% of those affected already struggle financially. According to the same survey, 41% of tenants also say they regularly run out of money before the end of the week or month. 35% claim they had "very" or "quite likely" run into arrears. This will lead to a loss of income for landlords – less to spend on new homes and services - and increasing evictions and homelessness. The rise in homelessness that will result won't just be devastating for those involved, it will cost: last year, the number of homeless families living in B&Bs soared by nearly half.
- Lord Freud, the architect of the new government scheme tried to defend the policy on BBC Radio when he told a caller that he did not deserve his spare bedroom for his children as they only stay with him on weekends and holidays. Lord Freud and his wife own an eight-bedroom country mansion (which they use for weekends and holidays), and live in their £1.9m London home.

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