

## 'In all fairness...?' Housing Policy and Welfare Reform

*Amanda Leighton, Michaela Keenan and Ursula McAnulty*

### Introduction

**This brief focuses on issues and policy developments relating to housing and welfare reform in Northern Ireland. It draws on published research evidence and the discussion at a Roundtable event organised by ARK and held on 29<sup>th</sup> November 2012. Roundtable participants included officials from a number of government departments, representatives from a range of NGOs and academics. The event was conducted under the anonymity of reporting allowed under the Chatham House Rule to encourage open debate.**

The Welfare Reform Bill for Northern Ireland was formally introduced to the Assembly on the 1<sup>st</sup> October 2012. The measures contained within the Bill, together with changes already introduced, will have a significant impact on the housing sector across Northern Ireland. Whilst the focus of the roundtable was to be on the impact of changes relating directly to housing, of course the wider reform agenda was also taken into consideration.

The stated policy aims of welfare reform include: breaking the cycle of benefit dependency; moving people into employment; simplifying the benefit system; supporting those in need and reducing benefit administrative costs. Evidence to date suggests that reform measures including caps to the maximum benefit claimable per household and changes in disability support payments, are likely to bring real term reductions in expendable income for low income families whether in work or unemployed. The changes to housing benefits and regulations also present challenges for policy makers and housing providers.

There is evidence that many social housing tenants would prefer for Housing Benefit (HB) to be paid directly to the landlord rather than to themselves as proposed in the welfare reform measures. The Social Market Foundation (2012) identified tenant concerns that direct payments to the householder intended for housing costs could be spent on other essentials leading to rent arrears. A report by Policis

(2012) indicated that 86% of tenants surveyed 'strongly' believed that it should be paid directly to the landlord for security of tenure reasons. Thirty five per cent of those in receipt of HB and 50% of those who reported that they had missed rent payments stated that they were 'not confident' that they would be able to keep paying their rent if they were in receipt of their rent monies directly to themselves. The National Audit Office (2012) also noted that the full impact of the housing benefit reforms is uncertain and depends on how households and the housing market react, locally as well as nationally. It further pointed out that some challenges cannot perhaps be planned for such as the interaction of local authority funding constraints, the social housing stock, rental market conditions and the local economy produces extreme impacts.

### The Northern Ireland Context

It has been argued that Northern Ireland presents particular circumstances with regard to welfare

reform, for example:

- Northern Ireland's higher proportion of households that receive lower wages or rely on benefits means the proportion of tenants in both the social housing and the private rented sector receiving housing benefit is substantially higher than in England.
- Around 60% of all Northern Ireland Housing Executive (NIHE) tenants of working age claim HB. Of that figure a total of 26,000 households are under-occupying either one or two bedrooms.
- In England, 24% of private renters are on housing benefit; in Northern Ireland the figure rises to 57% (DCLG, 2012).
- Currently, 100% of NIHE tenants, 97% of Housing Association tenants and 74% of private sector tenants that receive HB have their rent paid directly to their landlord.
- There are over 12,000 statutory homeless applicants on the NIHE waiting list. Of these, about 4,500 are single.
- There was a 45 per cent increase in numbers of houses being repossessed, between July and September 2012 compared to the same period in 2011.
- 90% of NIHE tenants live in segregated areas.
- Northern Ireland has more

households with children (34%) than any other region of the UK(28%).

- In Northern Ireland there is a lack of flexible and affordable child care which impacts on parent's ability to enter and remain in the labour market.
- Households living on low incomes will be considerably harder hit in NI by welfare reform than in any other region of the UK, apart from London (Browne, 2011).
- NI has double the proportion of its population awarded Disability Living Allowance (DLA) than in Britain, with a 26% higher rate of mental ill-health serious enough to lead to an award for DLA; 23% of our DLA recipients have mental health issues, compared to 17% in Britain.

### Northern Ireland Housing Strategy

The first Housing Strategy ever produced in Northern Ireland was launched for public consultation in Oct 2012. *Facing the Future: A Housing Strategy for Northern Ireland*, contains proposals which include ways to reduce the impact of Welfare Reform and a fundamental review of the allocations system in Northern Ireland.

*Facing the Future* has five main themes:

- Ensuring access to decent, affordable, sustainable homes across all tenures

- Meeting housing needs and supporting the most vulnerable
- Housing and welfare reform
- Driving regeneration and sustaining communities through housing, and
- Having correct structures in place.

The Strategy is wide ranging and recognises the difficult economic circumstances. Whilst the Strategy is a welcome development, the options suggested in the document lack detail on how the aims are to be achieved. The absence of specific targets, which are explicit in the Housing Strategies in other devolved regions (Welsh Assembly, 2010; Scottish Government, 2011), will make it more difficult to assess if aims have been achieved.

### Welfare Reform Measures of Particular Relevance to the Housing Sector

#### Assistance with Housing costs

Housing Benefit (HB) was identified by government as a key target for reform. Chancellor George Osborne described spending on Housing Benefit as 'spiralling completely out of control' with the HB bill increased from £312m in 2003/4 to £573m in 2010/11. Increasing dependence on the private rented sector a key factor in this.

## Shared Accommodation Rate (SAR)

The Shared Accommodation Rate (SAR) had applied to single people aged under 25 on Housing Benefit in the private rented sector; in January 2012, it was extended to claimants under the age of 35. Of the people impacted by this change, 37% are low-paid workers.

There is a shortage of available accommodation in NI to facilitate such a policy change as there is relatively little Housing for Multiple Occupancy in the region. As a result, more young people may apply for social housing or be vulnerable to homelessness.

## Up-rating Housing Benefit rates by the Consumer Price Index (CPI) from April 2013

The Welfare Reform measures aim to reduce the HB bill to the Exchequer by changing the way in which Local Housing Allowance (LHA) rates are up-rated from the retail price index (RPI), to the Consumer Price Index (CPI). This will mean an end to any relationship between LHA rates and actual cost of rents and exacerbate shortfalls between benefit payments and the rents people have to pay (Lister et al 2011).

The Chartered Institute for Housing et al (2012) point out that Government's attempts to reduce the Benefit bill are in tension with rising rents in the private sector. Affordability is already an issue in the private rented sector; more than two-fifths of local housing authority claimants reported that they found

it difficult to afford the rent charged for their current accommodation (Beatty et al, 2012).

## Under occupancy/ Bedroom Tax

The welfare reform measures introduced in Britain in April 2013 include the introduction of size criteria, similar to that applied in the private rented sector, for new and existing working-age Housing Benefit claimants living in the social rented sector. This means that people living in houses larger than they need (under-occupiers) will have to move to somewhere smaller or make up the difference caused by the reduction in their HB. The government's rationale for this policy is to contain Housing Benefit expenditure, encourage greater mobility and better use of stock within the social rented sector; and improve work incentives for working-age claimants (DWP, 2012).

However, the provisions contained some alarming anomalies. For example, foster children were initially not considered to be part of a foster carer's household. An amendment was subsequently introduced by the Department for Work and Pensions to amend this (DWP, 2013).

Evidence provided to the Social Development Committee by the NIHE (Social Development Committee, 2013) shows that, should the same provisions be introduced in NI, 18,850 NIHE tenants (9,215 singles; 601 couples; 9,034 families) will be deemed as under-occupying by one bedroom and therefore subject

to a 14% reduction in their housing benefit. Over seven thousand NIHE tenants (5,415 singles; 1,047 couples; 856 families) will be deemed as underoccupying by 2 or more bedrooms and subject to a 25% reduction in housing benefit. Approximately 6,500 housing association tenants would also be subject to a reduction in housing benefit as a result of this measure. In total almost 33,000 tenants will be subject to a reduction in housing benefit.

A major challenge to the implementation of such provisions in NI is the limited supply of decent, affordable one bedroom properties into which people of working age can move. The economic rationale for the under occupation rule has also been disputed. The Northern Ireland Federation of Housing Associations and the Chartered Institute of Housing claim the direct cost of implementing the bedroom tax would be at least £21 million across the housing associations and the NIHE in the first year post implementation. They further argue that changes in funding from Westminster will mean the bedroom tax would only cut the benefit bill in Northern Ireland by £17 million (Bury, 2013).

## Discretionary Housing Payments

Discretionary Housing Payments (DHPs) are a temporary benefit currently available only to tenants within the private rented sector who are entitled to housing benefit but have a shortfall between their

housing benefit entitlement and the contractual rent being charged by the landlord. Unlike HB, DHPs are drawn from a cash limited budget allocated to the NIHE every year by DSD. Once the budget set-aside by the DSD for these payments is used in the financial year there can be no further discretionary payments made.

## What is happening elsewhere?

### Mortgage-to-rent Schemes

In order to prevent some of the most vulnerable families losing their homes, government mortgage to rent (MTR) schemes have been launched in England, Scotland and Wales. The mortgage rescue scheme works in two different ways:

- Some households will get a 'shared equity loan'.
- Others will be offered help from a 'mortgage to rent' scheme, where a local housing association buys their property and rents it back to them.

It is important to note that these Government supported mortgage rescue schemes are very different to sale-and-lease-back-schemes operated by private, profit making companies which currently operate in Northern Ireland.

In the Republic of Ireland the first mortgage-to-rent scheme was officially launched in June 2012. It is targeted at low-income families whose mortgage situation is unsustainable and where there is little prospect of a significant change

in their circumstances. A housing agency or local authority will either buy out or lease the homes from the banks and allow families to stay on while paying rent and servicing their debts.

### Discretionary Housing Payments

In England the Government has increased its allocation to DHPs from £20 million in 2010-11 to £30 million in 2011-12 and £60 million from 2012-2013 (DWP, 2012). In addition, further increases have been agreed which will address particular elements of welfare reform including £120 million over the period 2013-2014 to 2014-2015 to help those who have not moved before the changes are implemented and a further £30 million per year from 2013-2014 to help both foster carers and those with properties which are classified as having been significantly adapted to meet the needs of the occupant (s). Notwithstanding these allocations the National Housing Federation (2012: 2) argued that there is a "significant mismatch between DHP and Housing Benefit cuts. The £135m DHP funding allocated for 2014-15 makes up just 6.1% of the £2.2bn in Housing Benefit cuts for the same year".

### Local Authority support mechanisms

Islington Council offers a service that matches under-occupying tenants with overcrowded tenants and Southwark Council is holding 'speed dating' coffee mornings to help people find mutual exchanges.

Wigan council is working with Citizens Advice to establish a social lettings agency.

However, there are very real concerns about the social impacts of forcing people to move from homes where they have developed social networks, community support and care. In particular, children need stability and moving home and perhaps school is not conducive to their well-being. Further, there is considerable evidence that working parents, especially lone parents, depend on grandparents and other close family to provide informal childcare to facilitate their employment. There is a danger, therefore, that the introduction of this change to HB rules for families in the social rented sector may be counter-productive to its aim of encouraging tenants to work and could see the state paying more to provide alternative accommodation in the private sector of the correct size.

### Issues discussed at the Roundtable

Sam Lister, policy and practice officer with the Chartered Institute for Housing, contextualised the discussion by outlining the rationale behind welfare reform as outlined by government. He pointed out that the impact of the measures would be greater in Northern Ireland due to levels and duration of unemployment, the higher numbers of 4/5 child families than is generally the case in the rest of the UK (although London and West Midlands have more 5 child

families), the existence and extent of segregation and the higher level of public sector stock. There are also a higher proportion of people in NI in receipt of Housing Benefit. He concluded by posing the question of whether devolution could and would result in a different or more nuanced approach to welfare reform.

The many different points and issues that arose in the Roundtable discussion have been organized into the following three broad themes: public awareness; managing change; and the protection of vulnerable groups.

### **Public Awareness**

Representatives from housing and advice NGOS and private sector housing organisations raised concerns about the public's lack of awareness of the changes Welfare Reform will bring and how they could be affected. A number of participants felt this was especially the case with the 'bedroom tax' and stated that many tenants will not be prepared for the potentially serious impact this may have on them and their finances. It was acknowledged that there was a need for a major Welfare Reform awareness-raising campaign, similar to those being undertaken in Britain, to prepare residents for the benefit changes that will take place. Experience from other areas has shown that tenants are unlikely to regard themselves as the target audience of benefit change until faced directly with the reality that this applies to them. Therefore participants felt it was essential that any campaign would

need to achieve a balance between 'warning' and 'scaring' people.

While there was much consensus about the need for people to be better informed participants were reminded that until Northern Ireland's welfare reform legislation was passed in the NI Assembly, departments and agencies had no authority to initiate such actions. It was noted that consideration was currently being given to plans to notify Housing Association and Housing Executive tenants and that the DSD would also be considering research looking at reaction to the changes including research due to be published by Glasgow University.

### **Managing Change**

Participants working across the range of housing sectors and organisations outlined their concerns about how the changes could be managed. Of immediate concern is the lack of one and two bedroom accommodation in NI. This presents practical difficulty, especially given the short timeframe, in trying to get tenants moved to smaller properties.

In the longer term, a number of participants argued that insufficient attention had been given to the impact on future tenancies; that the definition of 'secure tenancy' is fundamentally affected as is the concept of a 'home for life'. Some estimates suggest that 25% of tenants will be unable to pay the additional rent raising questions about what will happen in terms of such tenants being able to secure other housing or the problems posed

by the likelihood of increasing arrears. Fifty percent of homeless people are single and it was suggested that the proposed changes could worsen the homelessness situation.

There remains a lack of clarity around key issues, for example, will house moves be co-ordinated and where would tenants be re-housed? Tenants who 'under-occupy' are being encouraged to take in a lodger, who will deal with child protection and other safety issues? If/when tenants fall into arrears, will the Housing Association be penalised or is there a fund available from the Executive? Will there have to be a move in thinking from 'security of house' to 'security of tenure'?

### **Protecting vulnerable groups**

There was concern that the potential impact of the welfare reforms on vulnerable individuals and groups had not been adequately established nor given sufficient consideration. This includes families at risk of having their homes repossessed, families where there is a person with a disability and people under 35 who may be vulnerable as a result of mental health problems or other reasons. The issue of housing repossession generated much discussion with a strong view that these families would be in an increasingly vulnerable position and that one manifestation of this would be increasing levels of homelessness and families having to live in temporary accommodation. It was noted that a paper had been produced in 2011 in favour of supporting mortgage interest which

included proposals to pay Interest when a person is out of work which could be recouped when they were back in the work place, but no decision had been reached. Schemes in place in the south of Ireland were raised including the mortgage to rent scheme.

Those working in private and social housing sectors provided examples of the destabilising impact the changes are already having. This included examples of young men giving up the tenancies on their rented flats and trying to get into hostel accommodation. Some participants knew of older people worried and trying to find other accommodation because they were under the impression that they would be affected by the under occupancy rule. There was a strong feeling that this rule would have a very punitive impact on families with a disabled child or adult who often rely on what would be seen under the measures as an 'extra' room. Supported housing has been a key feature of efforts to increase the number of people in Northern Ireland able to live independently in the community. Yet, it was argued that there is not a great understanding of how supported housing is commissioned, the impact the Welfare Reforms will have on it or whether it will be exempt from the welfare reform measures. Participants pointed to the lack of information and confusion regarding whether any procedures were in place, how it will be paid and whether or not such payments will be outside Universal Credit. The view was expressed that Supported

Housing was a difficult issue and had therefore been 'parked' to be addressed later. There was strong consensus that clarity was needed on how the NIHE and social security system planned to deal with the Supported Housing issue, especially given its importance to other areas of social policy such as adult social care.

The fact that foster children were not to be considered part of the household in relation to the over occupancy policy concerned participants. In addition to causing hardship to individual families it was felt that this could also significantly affect the ability of families to be foster parents. The foster care issue was just one of a number of areas raised during the discussion which illustrates the broader impact of welfare reform and the potential knock on effect on other areas of policy – for example on social care and independent living, support for victims of domestic violence, the importance of stable housing for young people who are trying to cope with mental health problems and be supported into education or employment, the impact on unpaid care, on lone parents who may be forced to move away from family support and the longstanding policy objective in Britain and Northern Ireland to build stable communities. Reference was made to how we can look to lessons from the past. For example, research has shown that the impact of the short term tenancies introduced by the 1983 Housing Act in Britain was greater feelings of insecurity and inability to

become attached to neighbourhood and communities.

Ultimately, it was argued the housing elements of welfare reform will result in significant pressure on the block grant as the costs of temporary accommodation and potential social problems caused by homelessness are high. It was acknowledged that there was already a lot to be learnt from the experience of those working in housing sectors and other areas and that it was important for policy makers to work with practitioners. The forum set up by DSD was welcomed and practitioners were encouraged to make policy makers aware of issue and proposals.

## Conclusion

Much of what is being proposed in the Northern Ireland Bill represents policy transfer from England but the context is different, not just in terms of levels of need and family size but also in terms of how housing has traditionally been allocated. There has also tended to be more population and housing mobility in England than in Northern Ireland, due in part to segregation. This is an enabling bill so much is still unknown in terms of specifics. In addition, since the roundtable was held the DSD Minister has proposed substantive changes to the management of housing in Northern Ireland including the abolition of the Northern Ireland Housing Executive, the establishment of a new regional housing body and a greater role for the independent sector. Detailed proposals have not yet been published. Other developments

include the publication of the consultation on the replacement of the Social Fund by a system of discretionary support (DSD, 2013).

In March 2013 the Coalition Government in Britain (DWP, 2013) announced its intention to lay amending legislation which will result in the size criteria rules not being

applied to two groups- approved foster carers and adult children in the armed forces who continue to live with parents. Local authorities can also allow an extra bedroom for children who are unable to share because of their severe disabilities. As a number of organisations have pointed out this ruling only applies to children who are unable to share

because of disabilities, it does not provide for an extra bedroom in other circumstances such as where the claimant is one of a couple who is unable to share a bedroom or where an extra room is required for equipment connected with their disability.

### Key points

- Underlying the proposals in Britain is a focus on personal responsibility – including tenants prioritising their own expenditure
- Many people will be affected by the under occupancy rule and the introduction of the ‘bedroom tax’
- NI has the highest percentage of 4 plus families in the UK
- Segregated communities in NI creates more problems
- The common perception is ‘it will not happen to me’. There is a challenge in relation to how to communicate to individuals the impact which the reforms will have on them
- Proposals have to be considered in the broader context – including increasing mortgage and rent arrears
- Vulnerable people will be the worst affected
- There is a need to work with practitioners to see where the real problems lie
- The impact of the Welfare Reform Bill is likely to have an impact on the block grant in terms of additional/unmet need in other policy areas.

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**Amanda Leighton is a Research Associate with the ARK Policy Unit**

**Dr Michaela Keenan is a lecturer in Housing Studies in the School of the Built Environment at the University of Ulster**

**Dr Ursuala McAnulty is lecturer in Housing Studies in the School of the Built Environment at the University of Ulster**

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**ARK**  
INCORE, Magee campus  
University of Ulster  
Derry/Londonderry  
BT48 7JL

Tel: 028 7167 5513; Fax: 028 7167 5510  
E-mail: [info@ark.ac.uk](mailto:info@ark.ac.uk)

**ARK**  
School of Sociology, Social Policy and Social Work  
Queen's University Belfast  
Belfast  
BT7 1NN

Tel: 028 9097 3034; Fax: 028 9097 3943  
E-mail: [info@ark.ac.uk](mailto:info@ark.ac.uk)