



## **The Work and Pensions Committee: Benefit Cap Inquiry**

### **Homeless Link written submission - April 2017**

#### **Introduction**

1. Homeless Link is the national membership charity for organisations working directly with people who become homeless or who live with multiple and complex support needs in England. With around 800 members, we work to improve services and campaign for policy change that will help end homelessness and secure a sustainable future for supported housing.
2. We welcome the opportunity to respond to the Committees' Benefit Cap inquiry. We are extremely concerned by evidence that the Benefit Cap is increasing the risk of households becoming homeless by making housing unaffordable, and the rising consequential costs this is having on local authorities who have a statutory duty to support those homeless households in priority need. Further, in putting greater pressures on funding available for homeless services, greater costs are likely to be incurred on the NHS, social care and the criminal justice system.
3. Our response focuses on the consequential costs being placed on local authorities. It is informed by publicly available data releases from the Department for Communities and Local Government (DCLG), the Department for Work and Pensions (DWP), the Institute of Fiscal Studies (IFS) and our Annual Review of the support available for single homeless people in England.

#### **Background**

4. For those affected by the Benefit Cap, the reduction in benefit is taken from Housing Benefit in the first place. This is regardless of whether local rents mean that those claimants would require a higher amount of Housing Benefit than permitted by the cap to afford a tenancy in the area.

5. To avoid homelessness, the Government envisages that household's should either down-size, move to an area with lower rental values, or move into employment.<sup>1</sup>
6. We are concerned that for many these will not be options and they may end up getting into severe debt or even turning to crime in order to pay their rent and avoid homelessness. Analysis by the Institute of Fiscal Studies (IFS) of the previous cap shows that only 5% of those affected responded to that cap by moving into work and even less moved house.<sup>2</sup> Further, DWP figures show that only 14% of households under the previous cap were in receipt of Job Seekers Allowance, which required them to be immediately available for work and so able to move to employment. A high percentage of those previously affected by the Cap were therefore at risk of becoming homeless.
7. According to the latest Government release, on 30 September 2016, prior to the new cap, 32% (4,790 households) of all households accepted as homeless in England and 40% of acceptances (1,830 households) in London gave the ending of an assured shorthold tenancy with a private landlord as the reason for the loss of their last settled home. This has risen from 11% of all cases in 2009. Many households are increasingly facing the end of a private tenancy and unable to find an affordable alternative without assistance.<sup>3</sup>
8. Prior to the 2016 lowering of the Benefit Cap, most people affected were families with three or more children situated in high-rent areas.<sup>4</sup> However, under the reduced cap, a non-working couple with two children renting in the private sector may be capped in more than half of UK local authorities.<sup>5</sup> DWP estimates project that only 21% of these people will be JSA claimants, with majority in receipt of income support or ESA. The new cap will therefore drastically increase the number of households for whom housing is unaffordable and, therefore, at risk of homelessness.

## **What are the consequential costs of the cap for other public spending, such as that by local authorities?**

### **Local authorities**

9. Where households are deemed homeless and in priority need, the local authority has a statutory duty to accommodate them, and in many areas, due to the shortage of available housing they may be initially placed in temporary accommodation. The increased number of households becoming at risk of

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<sup>1</sup> (DWP, 2015) Welfare Reform and Work Bill: Impact Assessment for the benefit cap <http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

<sup>2</sup> (IFS, 2016) Observations: A tighter benefit cap <https://www.ifs.org.uk/publications/8717>

<sup>3</sup> (DCLG, 2016) [Statutory homelessness and homelessness prevention and relief, England: July to September 2016](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577870/Statutory_Homelessness_and_Prevention_and_Relief_Statistical_Release_July_to_September_2016_v2.pdf) [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577870/Statutory\\_Homelessness\\_and\\_Prevention\\_and\\_Relief\\_Statistical\\_Release\\_July\\_to\\_September\\_2016\\_v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577870/Statutory_Homelessness_and_Prevention_and_Relief_Statistical_Release_July_to_September_2016_v2.pdf)

<sup>4</sup> (DWP, 2015) Welfare Reform and Work Bill: Impact Assessment for the benefit cap <http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

<sup>5</sup> IFS, 2016) Observations: A tighter benefit cap <https://www.ifs.org.uk/publications/8717>

homeless and owed a statutory duty has consequential costs for local authorities.

10. Latest Government statistics evidence the number of households housed by local authorities in temporary accommodation as 74,630, up 9% on a year earlier, and up 55% on the low of 48,010 on 31 December 2010. Of these, 59,210 included dependent children and/or a pregnant woman. 6,680 households were being housed in bed and breakfast accommodation.<sup>6</sup> Shelter analysis suggests that 25 London councils combined currently suffer an annual loss of more than £4 million a year from the effect of the benefit cap on families living in temporary accommodation.<sup>7</sup>
11. Further, the number of Discretionary Housing Payments (DHPs), used to keep people in housing and when moving in to a tenancy, is increasing. The IFS analysis shows that in 2015–16, £25 million of DHPs were allocated specifically to help tenants affected by the Benefit Cap. 40% of those affected by the Benefit Cap had successfully applied for DHPs.
12. DHPs costs are also rising through changes to the Local Housing Allowance (LHA) Cap. The LHA Cap, now set at 30<sup>th</sup> percentile of local rents but frozen since 2015/16, does not bare any relation to local housing costs. Local authorities are thereby forced to make up the shortfall in costs through DHPs to keep people in housing. These DHPs do not offer stability for households, offset any fiscal savings from the DWP, and are likely to increase further given the much wider reach of the new cap.
13. The Benefit Cap and LHA Cap, alongside the reduction in local authorities' budgets arising from the 1% annual reduction in social rents in England, has the cumulative impact of both putting tremendous pressure on the finances of authorities who must meet statutory duties to accommodate people accepted as homeless, and increasing the number of people for whom the duty will apply.

## Homeless projects and public services

14. Homelessness projects support people who are homeless to help them address issues they are facing and move forward with their lives. Our members' projects predominantly work with single homeless people who are homeless but do not meet the priority need criteria to be housed by their local authority under homelessness legislation. As single homeless people in homelessness accommodation projects do not have their Housing Benefit considered in calculations of their combined benefits towards which a cap is applied, they are very unlikely to receive a reduction in Housing Benefit due to the Benefit Cap.

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<sup>6</sup> (DCLG, 2016) [Statutory homelessness and homelessness prevention and relief, England: July to September 2016](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577870/Statutory_Homelessness_and_Prevention_and_Relief_Statistical_Release_July_to_September_2016_v2.pdf)  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577870/Statutory\\_Homelessness\\_and\\_Prevention\\_and\\_Relief\\_Statistical\\_Release\\_July\\_to\\_September\\_2016\\_v2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577870/Statutory_Homelessness_and_Prevention_and_Relief_Statistical_Release_July_to_September_2016_v2.pdf)

<sup>7</sup> (Shelter, 2016) The Benefit Cap is a sucker punch for councils <http://blog.shelter.org.uk/2015/11/the-benefit-cap-is-a-sucker-punch-for-councils/>

15. However, our latest research<sup>8</sup> shows that 88% of homeless accommodation projects working with single homeless people received funding from local authorities, with more than half of homeless projects (56%) citing this as the primary source of funding. There is a risk that the increased pressure put on local authorities' homeless budgets will lead to a further reduction in funding for these projects.
16. This is a particularly concern given that reductions in funding for homeless projects can lead to reductions in the number of people these projects support, and the types of support offered. Since 2014-15, 47% of accommodation projects have reported a decrease in funding, with an average decrease of 19%. These reductions have impacted on the work projects were able to do with clients, with 34% reporting a reduction in the level of meaningful activities they could provide and 30% reporting a reduction in key working. This reduction in the work homeless projects can undertake will increase pressure on other services, including the NHS, social care and the criminal justice system.

## **Recommendation**

17. **Any Benefit Cap must have greater sensitivity to the regional variation in local housing costs and the affordability of housing in the local area, and to the requirements of the effected groups. Where it does not do so, people are being placed at risk of homelessness, with high consequential costs being incurred onto local authorities.**

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<sup>8</sup> (Homeless Link, 2017) Support for single homeless people in England: Annual Review 2016  
<http://www.homeless.org.uk/sites/default/files/site-attachments/Full%20report%20-%20Support%20for%20single%20people%202016.pdf>