

Crisis Policy Briefing

Changes to the Shared Accommodation Rate in Housing Benefit

September 2011

Introduction

The Shared Accommodation Rate (SAR) currently applies to single people aged under 25 on Housing Benefit in the private rented sector. These claimants are **restricted to the rate for a single room in a shared house**, rather than the rate for a self-contained one bedroom property. We know that the SAR causes considerable problems for young people, with many unable to secure or sustain affordable accommodation and left facing shortfalls, arrears and homelessness.

From January 2012, the Government intends to extend this lower rate to claimants under **the age of 35**. Regulations containing the change were laid in July 2011. In laying the regulations the Government announced two limited exemptions from the extension of the SAR affecting some homeless people who have lived in hostels and some ex-offenders who pose a risk to others. That the Government has recognised low quality shared accommodation is inappropriate for people recovering from homelessness is significant, yet this cut remains highly damaging.

62,500 people will initially be affected¹, with the **average loss being £41 per week** and some seeing their benefit entitlement literally halved. In more than half of areas the shared accommodation rates are around a third or more lower than the one bedroom LHA rate.²

These are very high losses from a low base. Currently the average maximum award of Local Housing Allowance (Housing Benefit in the private rented sector) is only £107/week for a 1 bed property and this falls to just a paltry £69/week for SAR claimants. This is of course before other cuts to housing benefit come in which will reduce these rates yet further.

1. Impact on homelessness

75,000 people currently claim SAR so this change will almost double the number of claimants, placing significant further pressure on the limited pool of shared properties available. The vast majority of the people affected by this change **will lose their current accommodation**, as it is incredibly unlikely that landlords will accept such significant reductions in rent or that someone on a limited income would be able to make up these sort of differences.

Tens of thousands of people currently in self-contained flats will therefore be forced to seek out shared accommodation. There is **simply not enough of this accommodation available**. In many areas of the country the accommodation simply doesn't exist at all particularly in rural areas or small market towns. In other places rooms are often let by word of mouth making accessing some shared accommodation partly dependent on having the right networks.

Current claimants already struggle to find an affordable property, with DWP figures showing 67% face a shortfall between their benefit and the rent averaging £29 per week

¹ Because the figures are not directly comparable, this figure has not been reduced in light of the estimated 6,000 homeless people and ex-offenders who will be covered by new exemptions

² DWP (2011) 2 Year Review of the Local Housing Allowance

(compared to 49% of all LHA claimants). This is a significant amount for people on a low income and can cause problems such as debt, arrears and homelessness.

This change is likely to **cause more homelessness** including in the worst instances, rough sleeping. Apart from the impact on individuals, this is extremely costly to the public purse. Crisis research has estimated that the annual cost of homelessness per person can be tens of thousands of pounds per year³.

2. Impact on vulnerable groups and communities

For vulnerable people who have been homeless, are leaving supported accommodation, care or prison, sharing is particularly inappropriate and can be extremely detrimental to their well being. In July 2011 the Government announced that **people who are over 25, have spent three or more months in a homelessness hostel and received resettlement support will be exempt** from the extension of the rate. This exemption (which is predicted to affect 4,000 people at any time) will apply even if the three months spent in a hostel was in the past or consisted of several shorter stays adding up to three months. Yet, while we welcome the exemption, there are many vulnerable homeless and formerly homeless people who will not be covered.

Homeless people & those leaving an institution

25 to 35 year olds are already disproportionately likely to end up sleeping on the streets, with 27% of rough sleepers in London aged 26 to 35⁴ and 36% of Crisis' clients being in the age group affected by the change. This change will place significant barriers in the way of this group breaking out of homelessness and will undo the progress that has been made by formerly homeless people who have now secured private accommodation.

The homelessness exemption that has been announced will help ease some of the concerns about the impact of the SAR extension on hostels' ability to move homeless people on to private rented accommodation but will do nothing to help those who have been homeless outside of hostel provision or who are leaving institutions such as prisons. Charities working with young homeless people are often unable to move them into appropriate accommodation because of the SAR and this problem will increase as more people are restricted to the lower rate. A survey of schemes helping people find private rented accommodation found the low level of the SAR was their biggest policy concern⁵.

For offenders leaving prison sharing can also be particularly inappropriate. There is already a problem of individuals under 25 "bed blocking" probation hostel places because of the SAR and this problem is likely to increase. In July 2011 the Government announced that around 2,000 **ex-offenders who pose a risk to others⁶ will be exempt** from the extension of the rate. While this is a welcome recognition that such individuals should not be forced to share accommodation, it is strange that this does not apply where the person who poses a risk is under 25.

Reoffending costs the economy £13.5bn annually⁷ but stable accommodation reduces the risk of reoffending by 20%.⁸

People with mental and physical health problems or dependency issues

There is currently a limited **disability related exemption** from the SAR for those who receive the middle or higher rate care component of Disability Living Allowance (which

³ Crisis (2003) How Many, How Much?

⁴ Broadway (2010) Street to Home Bulletin 2009-10

⁵ Crisis (2010) Housing Benefit Survey 2010

⁶ Those subject to Multi Agency Public Protection Arrangements (MAPPA) in England and Wales and at the discretion of the local authority in Scotland

⁷ National Audit Office (2010) Managing Offenders on Short Custodial Sentences

⁸ Centre for Social Justice (2010) Green Paper on Criminal Justice and Addiction

applies to those who severely disabled and need a carer). Although this exemption will apply to 25 to 34 year olds, many people with serious disabilities or illnesses, mental or behavioural problems or who are vulnerable in other ways will not be exempt. They will be expected to share accommodation, though in many instances this will clearly be very inappropriate. People with health or behavioural problems may be restricted in terms of the type of accommodation they can occupy or may find it very difficult to get on with other people. There are also concerns that issues such as bullying could result. The Government estimates that 18% of those affected by the change will be disabled people, a total of 11,000 people⁹.

People with dependency problems may have a negative effect on others in a shared property. There is the additional risk that those trying to overcome their dependency may have to share with others who are not, seriously undermining any progress they have made.

Parents & expectant mothers

Non-resident parents who want to maintain a good relationship with their children can have them to stay in a self-contained flat. This is unlikely to be possible or appropriate in shared accommodation. In some instances, for example when they live some distance away, this could mean parents are unable to maintain contact with their children. 10,000 of those affected by the extension of the SAR will be parents with some contact with children who live elsewhere.¹⁰ Pregnant single women will only be entitled to a room in a shared property until they have given birth – meaning they will have to return to a shared property with their new born.

Young people

At a time of rising youth unemployment, this change risks penalising young people further. Under 25 year olds already face a lower rate of Jobseekers Allowance and so are likely to struggle to make up even small shortfalls between the benefit and the rent. Competing with older tenants will make it even more difficult for them to secure affordable accommodation. There are no plans to extend the existing SAR exemption for care leavers aged under 22.

Impact on communities and HMOs

This policy may increase the number of Houses in Multiple Occupation in deprived areas at a time when some local authorities are using recently introduced powers to actively tackle their prevalence. Whilst many HMOs are of a good quality, there has long been a problem with unscrupulous landlords running poor quality ones. These can impact on the community and offer poor conditions for tenants – again a major problem particularly for those who are vulnerable.

3. What is the Government's rationale for this change?

"Many young people share houses"

The Government argues that many young people share houses and that the age of a first time buyer has risen. However, research by York University for Crisis¹¹ has found that fewer than one in twenty private renting households were shared accommodation during 2005 to 2007. Whilst there has been significant growth in the overall size of the PRS over the last two decades, the amount of households living in shared private rented accommodation has about halved, both numerically and as a proportion of the whole PRS.

Where those not on Housing Benefit do share, such as young professionals in London, it is largely out of choice in order to live in a better location or with friends or to have more

⁹ DWP (2011) Increasing the Shared Accommodation Rate age threshold to 35

¹⁰ Steve Webb in answer to Work and Pensions question 70138, 8 Sept 2011

¹¹ Crisis/University of York (2011) 'Unfair Shares'

disposable income in order to save for a deposit. This is simply not the case for those on Housing Benefit. What's more, people not on Housing Benefit have access to a much greater pool of properties (as many landlords will not let to benefit claimants) and generally have a choice about who they live with which is rarely available to people on lower incomes.

Many of those who do share accommodation by choice in the private rented sector (particularly those who are older) will be sharing with one or two others, but this will largely be unaffordable on the SAR. Instead claimants are likely to have to share with larger numbers of people, with a high turnover of tenants and little or no choice over who to share with. This can lead to inappropriate sharing situations, cause problems around suitability and security and affect the sustainability of a tenancy. For SAR claimants 'the prospect of sharing with strangers was a source of considerable anxiety' and 'having to share with older people was noted to be particularly daunting, especially for female claimants.'¹²

“Landlords will lower their rents or people can be supported by discretionary housing payments”

The Government has argued that people may be able to renegotiate rents – however, when talking about such significant losses with some people's entitlement being halved, this seems highly unlikely. The Government also makes the case that they have increased the Discretionary Housing Payments budget available to help local authorities to give additional support where they consider it is needed, but the amounts are insignificant given the scale of the cut.

Over a 4 year period, the total DHP pot is £190 million and this is intended to help those who currently experience a shortfall as well as those affected by all of the cuts to Housing Benefit. To put this in context, the Budget announced £1.8billion of cuts annually to Housing Benefit with a further estimated £215m¹³ saved each year from changes to the SAR.

“Some LHA claimants chose to live in shared accommodation so there can't be that much of a shortage”

Some Housing Benefit claimants choose to share when they are in fact entitled to live in self contained accommodation. For some people in some areas, sharing is appropriate, particularly if they have friends they can share with or if they were in a shared property before needing recourse to housing benefit. It is quite a different proposition to ask 62,500 people to leave their current accommodation and try to find a shared property.

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¹² JRF (2008) Housing Choices and Issues for Young People in the UK

¹³ The Government estimates that this saving will be reduced by £15m by the exemptions for some homeless people and ex-offenders who pose a risk but the figures are not directly comparable