

Why is Housing Benefit still rising?

I recently put in a freedom of information request to Swindon Borough Council in relation to Housing Benefit for the three qualifying tenures: Council Housing, Housing Associations and Private rented accommodation. For November of last year households in receipt of HB comprised of:

Council	6,884
Housing Association	3,012
Private	4,166
Total	14,062

The average weekly HB payment for tenants was

Council	£75.63
Housing Associations	£90.78
Private	£86.16

The average rent for each of the tenures was

Council	£89.59
Housing Association	£108.39
Private	£89.37

Depending on their income some tenants receive HB which covers the cost of all their rent, others only part of it and they have to pay the rest. The average rent payable over and above the HB they received was

Council	£13.96
Housing Association	£17.61
Private	£3.21

Private rent

The last of these figures give the impression that private rents are about the same as Council rents. However, they are not. They can be up to double Council rents. One factor which drags the average of private rent down is the 'shared accommodation rate' (SAR). Single private tenants under 35 can only claim HB for shared accommodation whatever type they live in. Prior to 2012 the SAR rate only applied to people under 25. However, the coalition government increased the age limit and reduced the amount payable from £65 a week in 2013-14, to £57.73 in 2014-15; barely more than half of the rate for a one bed flat at £102.42 a week.

Another factor which has brought down HB payments for private tenants was the change in their calculation. Prior to April 2011 the HB level was based on the median (half way point) of private rent in a particular area. The government reduced this from 50% to 30%.

Social rent

Whereas private rent is paid for 52 weeks the Council rent is paid on a 48 week basis, which means that over the full year it is effectively £82.69 a week, nearly £7 lower than the private rent average. It's interesting that Housing Association rent is so much higher than the Council rent. This is a result of a combination of factors. The proportion of 'supported housing' is higher in the HA sector than the Council sector. For instance, in the last two years in Swindon around three quarters of the lettings in the HA sector have been in 'supported housing' which has higher rents. However, another factor may well be that despite the 'rent equalisation' process (raising Council rents towards the level of HA rents) HA rents still remain above Council rents. Also, the introduction of "affordable rent" (up to 80% of market rents) will have started to push up HB payments in the HA sector.

Based on the figures provided by the FOI request you can measure the difference between the HB payments for the different tenures. The private tenants HB payment is on average £10.53 a week higher than for a Council tenant, or an extra £547.56 a year for each one. The average HB payment for HA tenants is £15.14 a week higher than a Council tenant; £787.28 a year higher. This underlines the fact that Council housing is by far the most economical tenure.

One of the consequences of Swindon Council's housing policy of promoting an increase in private rented accommodation at the same time as they support a decline in the numbers of 'social rent' homes is that it will drive up the HB bill¹. Of course, the Council doesn't pay the HB, the government does. Yet it seems grossly irresponsible and certainly short sighted to promote a housing policy which will drive up the cost of HB which is paid by taxpayers in Swindon and elsewhere.

In and out of benefit

The Council declined to provide answers to two questions in my FOI request, both on the grounds that they would have to run new reports on the computer "which would both take in excess of 18 hours to produce and so the work would be chargeable". I must confess I thought that computers had moved on somewhat since the days of overnight runs on mainframe computers. However, the questions were:

How many tenants for each of the three tenures were in receipt of full HB and how many part-HB?

What was the 'inflow' and 'outflow' of HB claimants?

We have been told by a Council officer that around one third of Council tenants are in receipt of HB which covers all their rent, around a third which covers part of their rent, and a third who receive no HB.

¹ The ruling administration supports 'right to buy' and has accepted the terms of the government in relation to applying for grant from the Homes & Communities Agency. Because the grant is so low some tenants will have to pay towards the cost of building 100 new homes by paying "affordable rent". To pay for building an additional 67 homes (the scheme includes the demolition of 33 properties) with AR rent, 142 existing Council homes will have their rent raised to AR when they become void. This means overall we will lose 175 'social rent' properties.

So far as 'inflow' and 'outflow' is concerned one of the myths about benefit claimants is that they all sit on benefit as a 'lifestyle choice', permanently. In fact, if you look at the figures for new claims and claims that end you will see that many claimants are on something of a roller-coaster, being in receipt of HB, ending their claim, putting another one in and so on. Any change of income, however minor, requires either an adjustment of your payment or its end. The latest figures I have been able to find show that in the year to February 2013, in Swindon there were 5,480 tenants putting in new claims for HB and 5,560 ending their claims. This movement in and out of claiming for HB certainly reflects the working conditions today with the growth of precarious work, including temporary jobs, zero hours contracts etc. It is also an indication that most people strive to work rather than "choosing a life on benefits".

Why is the HB bill still rising?

Why is the HB bill rising when the one of the declared aims of 'austerity' was to cut the benefit bill? Since 2009-10 overall HB payments in Swindon have risen from £56.2 million to £68.5 million, an increase of just under 22%². As you can see from the Appendix below the cost of HB for private renters has risen by £1.9 million since 2009-10 despite the fact that payments have been cut and the changes referred to above introduced.

The big increase in the cost of HB for Council tenants, shown below, is largely the result of above inflation rent increases. For the last four years in Swindon, Council tenants' rents have on average risen by just under 24%.³

Since the coalition government came to office there has been a big increase in the number of households in private rented accommodation claiming HB: around 165,000 nationally. This reflects an increase in the number of homes in the Private Rented Sector and a worsening of employment conditions and wages. In Swindon this is reflected in the more than doubling of expenditure of those who qualify *only* for HB, from £5.9 million to £12.1 million. Many of these will probably be single people without children.

'Austerity' hasn't served to cut the overall HB bill despite the 'welfare reforms'. It has risen from £19.989 billion in 2009-10 to £24.177 billion (updated estimate shown in the government's Autumn Statement) for 2013-14. This is the consequence of

- the destruction of stable and well paid jobs and their replacement by precarious and low paid alternatives, meaning more people in work qualify for HB;
- the policy of 'rent equalisation' introduced by New Labour which has meant rent increases way above the level of inflation, pushing up the HB bill for Council tenants despite a fall in the number of Council homes;
- the increase in the size of the private rented sector owing to the shortage of 'social housing' and an increase in the percentage of private renters qualifying for HB.

In Swindon the shortage of 'social housing' resulting from the absence of a Council house building programme, and very small numbers of new Housing Association homes, has

2 DWP figures.

3 This appears to be existing tenants. Since 2011 the Council has raised the rents in void properties to the 'target rent' associated with the 'rent equalisation' process introduced by the previous government. This helps to explain why although the rent increase introduced in 2012-13 was 7.83%, rents actually increased by an average of 10.4%.

resulted in a more than doubling of the bill for temporary accommodation, in particular short-term leased accommodation since the coalition government came to power.

Martin Wicks
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Appendix

Swindon Housing benefit payments

	2009-10	2013-14
Temporary accommodation	£1.5 million	£3.2 million
<i>of which</i>		
<i>Bed and breakfast</i>	<i>£0.1 million</i>	<i>£0.1 million</i>
<i>Licensed accommodation</i>	<i>£0.1 million</i>	
<i>Short-term leased</i>	<i>£1.1 million</i>	<i>£2.8 million</i>
<i>Other non-HRA accommodation</i>	<i>£0.2 million</i>	<i>£0.3 million</i>
Other local authority accommodation	£21.9 million	£26.6 million
Private Rented Sector	£21.1 million	£23.0 million
Housing Associations	£11.7 million	£15.7 million
Total	£56.2 million	£68.5 million

Recipients by Age

	2009-10	2013-14
Under 25	£6.6 million	£6.5 million
25 to Guarantee Credit Age	£34.6 million	£43.3 million
Over Guarantee Credit Age	£15.1 million	£18.6 million

Recipients by Statistical Group

	2009-10	2013-14
JSA	£10.6 million	£10.0 million
IB	£13 million	£17.3 million
Lone Parent	£9.9 million	£8.2 million
Carer	£0.8 million	£1.6 million
Income related benefit – working age	£2.1 million	£1.7 million
Income related benefit - pensioner	£10.9 million	£13.2 million
Disabled	£0.4 million	£0.8 million
Bereaved	£0.1 million	£0.1 million
State Pension	£2.7 million	£3.5 million
HB only	£5.9 million	£12.1 million