UK housing benefit cuts threaten thousands with homelessness

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Cuts to the housing benefit will have a devastating impact on 1 million claimants in the private sector market.

A report by the Cambridge Centre for Housing and Planning Research, "How will changes to Local Housing Allowance affect low-income tenants in private rented housing?," paints a stark picture. In June, the Conservative/Liberal Democrat government announced major cuts to the welfare budget. The government has estimated this will result in a reduction of approximately £12 a week for each claimant. However, the overall impact of these changes will be impoverishment and rising homelessness.

The Local Housing Allowance (LHA) was introduced nationally in April 2008, by the then-Labour government, as the new system for calculating housing benefits for private tenants. The changes to the LHA will cut the incomes of those households claiming a means-tested benefit, some of the poorest in the UK. There will be an average reduction of income, following the rent being paid, of 7 percent. This will affect between 42,000 and 84,000 additional households that will be left with less than £100 a week per couple to live on after housing costs. This figure is accepted as the lowest income level guaranteed by current welfare arrangements, affecting households including the disabled, unemployed, low-paid workers and retired people.

These figures include 21,000 elderly households and 72,000 households including families with children. It is estimated that between 27,000 and 54,000 dependent children will be pushed into severe poverty. Between 136,000 and 269,000 households will not be able to meet their rent payments, and up to half of these will have to move home or be evicted.

In the June budget announcement, the government claimed discretionary housing payments paid for claimants who are struggling or fall into severe hardship would increase by £40 million by 2014/2015. But, even if this full amount materialises in the next four years, it will not be able to meet the needs of many claimants. The money allocated to these discretionary payments is a meagre 2.5 percent of the total cut to the housing benefit. These payments are discretionary, and this will leave many claimants in a state of uncertainty as to their ability to pay their rent.

The Cambridge paper discusses the effect these cuts will have on landlords' readiness to let properties to benefit claimants. It cites a survey of 517 landlords in August, following the budget in June. A large number agreed that they would have to scale back letting properties to tenants on the LHA, and many expected an increase in rent arrears. The overall effects of the increased rent arrears and lack of private rented housing will be rising homelessness, with greater demand for the ever-dwindling supply of public housing.

There are currently just short of 2 million people on waiting lists for council houses alone—a figure that does not include housing association lists. This is approximately a 25 percent increase over the past five years. The average wait time is 7 years, but in many cases this rises to 10 and even 15 years. With already overstretched services, it is inconceivable that the local authorities would be able to deal with the worsening homelessness.

Those most adversely hit by these measures will be in London and the South East of England, where housing costs are highest. According to the National Housing Federation (NHF), in 2009 a first-time buyer in London needed a £93,000 salary to buy an average-priced house. But the situation is dire across the country and more and more people, not just claimants, are being

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forced into the private rented sector. In 2007, the average house price in even the poorest English region, the North East, was just under £150,000. In the South East, it was £267,000, and in London, £329,200. Demand for houses is growing, but supply is falling.

According to the NHF, in 2009/2010 just 87,360 new homes were started in England, producing only enough homes for a third of the new households forming each year. Despite the recession, house prices nationally are still 19 percent higher than 5 years ago and 120 percent higher than 10 years ago.

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