

CASE's Report

UN consultation on extreme poverty within the United Kingdom

CASE (*Community, Advice, Support and Education*) is a Charitable Incorporated Organisation based in Hollingdean, one of the most deprived areas in Brighton and Hove. One of our main services is Welfare Rights advice. Our advisers have up to 16 years' experience and have witnessed an increase of poverty and hardship in recent years. In this report we will explain the most significant contributors to poverty in our City: Housing Benefit (HB) cuts, the end of Council Tax Benefit and its replacement with Council Tax Reduction, the introduction of Universal Credit (UC), and cuts to benefit levels, in particular to Employment and Support Allowance (ESA).

1. Housing Benefit Cuts and the abolition of Council Tax Benefit

Since 2011 we have seen a rise in poverty as a consequence of HB cuts for private tenants, called 'Local Housing Allowance' (LHA) rates.

Until 2010 the LHA rates matched the average rent in their areas. In 2010 these rates were reduced to only cover the lowest 30 percent of the rents in each 'area' for new tenants. This cut was extended to existing private tenants in 2012. It was also decided that these rates would only rise in future with the Consumer Price Index (CPI), which crucially did *not* include *rise of rents*.

Due to the virtual freezing of HB, together with the steady rise in rents since 2011, in Brighton and Hove virtually no new rents, and only very few old rents, are now matched by the LHA rates. This has been a major cause of hardship and homelessness. The poverty that most of our clients, either in work or out of work, suffer from, is often connected to the fact that they need to use money which they need for their living costs to pay rent. The National Audit Office has indeed found that across the UK there has been a 60% increase of households in temporary accommodation from 2011 to 2017.¹

The same problem is also affects the claimants of a new benefit, Universal Credit (UC), which has recently replaced HB, as UC uses the same rates in the calculation of its payments to claimants.

As said before, once HB (or UC) no longer covers the cost of rent, unemployed and sick claimants have to use the benefits that they receive for their personal costs to pay their landlord, or else they risk losing their homes. For example, a single unemployed claimant of working age (25+) would receive £317.82 per month, as this is assumed to be the minimum amount needed by them towards their living costs. The LHA rate for a single bedroom flat in Brighton and Hove is £152.02 per week, or £663 per month (table 1). Of 11 flats on offer we could find through popular advert

¹ www.no.org.uk/report/homelessness/

directory *Gumtree* on 12/9/18, none was covered by the LHA. The cheapest flat on offer was for £800 per month, which would leave an unemployed tenant with £235 per month to live on. The second cheapest flat would leave the tenant with only £135 per month to live on. The average rent was £1,206 per month, *more than an unemployed tenant's total income*.

The situation is not much better for a tenant who just hires a room. Of 23 rooms on offer on *Gumtree* on 12/9/18, none was covered by the LHA. The cheapest room on offer would leave the tenant with £360 per month to live on. The average rent would leave the tenant with around £120 per month to live on.

| Category | Weekly rate |
|----------------------|-------------|
| Shared accommodation | £82.66 |
| One bedroom | £153.02 |
| Two bedroom | £198.25 |
| Three bedroom | £230.28 |
| Four bedroom | £339.36 |

Table 1

We are speaking about extreme levels of poverty, as £317.82 is already a very small amount for a single person.

Until 2013 the 'social' tenants, renting from Councils or Housing Associations, were paid HB which covered their full rent, however large the rent or the accommodation were. However, in April 2013, the 'Under-Occupancy Rules' in Social Housing (AKA 'Bedroom Tax') imposed a 14% reduction to full HB for social tenants who had a spare bedroom, and 25% reduction for two or more spare bedrooms. Further, a 'Benefit Cap' also imposed in 2013, limited the total benefit paid to claimants who are not in 'full time work'. The current caps are set to about £1,116.67 a month for single tenants, and £1,666.67 a month for couples or single parents. This would leave a single parent with three children with only £460 per month to pay rent - insufficient to even rent a one bedroom flat.

HB is also paid to tenants in work. The calculation of the benefit decreases with the tenant's income on the basis of the same LHA rates and of the same minimum 'amounts' needed for personal costs (e.g. £317.82 for a single person in working age). As a result, in the last few years, working families on low incomes have struggled to pay rent and many have needed to recourse to food banks.

In addition to the cuts in HB, in April 2013 the government abolished the Council Tax Benefit, which was paid to tenants on low income towards their 'Council Tax'. A new benefit, called Council Tax Reduction, now paid locally by Councils, often does not cover the full tax. In Brighton and Hove, all tenants, whatever their income, are expected to pay at least 25% of the Council Tax, however much this is. This cut has contributed to make living in Brighton and Hove very difficult or unaffordable.

CASE 1. L. rented a one bedroom flat from a private landlord at £800 per month. She had a good full time job which allowed her to afford the rent and Council Tax. Two years ago, she has an acute kidney disease and lost her job. She then recovered and was assessed as 'fit for work' and was paid basic unemployment benefit (Jobseeker's Allowance) and Housing Benefit. At the same time, her landlord raised her rent to £850 per month. L. was therefore left with about £180 per month for personal costs, including household bills. Her savings rapidly shrank. We recommended L. to apply for extra 'discretionary' Housing Benefit, which she received for six month. This 'discretionary' benefit is not easy to get, due to limitations in the Council's budget and is intended to be temporary. Due to increased stress, L's health deteriorated. We then helped her to claim sickness and disability benefits, which, if allowed, would stabilise her financial situation. L. still risks losing her flat. She has not sufficient savings for a new deposit. She cannot find any affordable flat and, as she is now a 'benefit claimant', most landlords would refuse to give her a tenancy.

2. Universal Credit

UC is a new benefit, introduced in the UK 2013 to replace: all 'means tested' benefits administered by the Department for Work and Pensions (DWP); HB, administered by the Local Authorities; and Tax Credits, administered by Her Majesty Revenue and Customs (HMRC). The latter is a benefit paid towards the living cost of a claimant's children and to help claimants on low income in 'full time work'. Despite a large number of problems highlighted during the pilot of the new UC, the government continued to roll it out. Brighton and Hove is now a 'full service' area for UC: i.e. any new claims for means tested benefits must be a claim for UC.

A first serious problem with UC Credit is that it substitute a large number of benefits, which were previously paid by different agencies. In the previous regime, when there was a problem with the payment of one benefit, a claimant and his family could still count on the payment of their other benefits. A UC claimant now depends on only one benefit, and in the case of a delay or problem the claimant is often reduced to a nil income for weeks or months. Today, 13 September 2018, The Guardian newspaper has revealed that according to cabinet papers, one in six UC claimants are not being paid on time.

But there are also other significant problems with UC, which paradoxically emerge from its apparent simplicity.

UC has indeed been designed to maximise the automatic processing of claims and payments. With rare exceptions, claims can only be made online, and claimants are encouraged to communicate with the DWP online, thus reducing administration costs. As part of this simplification, the monthly payments of UC for employed workers are calculated automatically on the basis of the payments of wages during that month, using information automatically received online from HMRC. This system, which is enshrined in the legislation, seems reasonable - but in fact it fails to take into account the complex claimants' situations.

In Brighton and Hove, for example, many workers on low incomes and on Zero Hour contracts are paid erratically by their employers. Under the UC regime, if one wage is delayed and paid during the next 'assessment month', the client will be automatically deemed to have earned a double wage that month, and their UC would be drastically reduced, often to zero. Such a drop in UC is not compensated by the fact that the client was apparently on nil income in the previous month. Even regular payments of wages can be incompatible with the UC's automatic monthly assessment: for example, a four-weekly wage would lead to a nil entitlement to UC on some months during the year, as the two periods get 'out of sync'. This problem has already caused distress and hardship, with families in work having to access food banks in order to afford the rent.

CASE 2. M. got a new temporary job which was paid erratically by her employer. After having been unemployed for a long time, she had hardly no savings and depended on her monthly wage to afford her rent. When the job ended, she claimed UC and informed the DWP that was still owed the last wage. *The wage was paid just a couple of days after her claim.* As the wage was paid during the first 'assessment month' for UC, M. was informed that she would be entitled to zero UC for a whole new month. M. asked for a reconsideration of this decision but was told that the law was correctly applied. M. complained that the benefits officers she interacted with did not advise her to delay the claim for a few days, making it possible for her to receive a month of UC. We are currently seeing this client to lodge an official complaint. We plan to involve the client's GP, hoping that pressure from MPs may lead to the revision of this simplistic assessment regime.

A claim for UC will stop the entitlement to the means tested benefits and Tax Credit that it substitutes and, crucially, the law prevents a re-claim of those benefits - this is a no-return journey which has been described by one of our clients as 'falling into a black hole'. Due to its many problems and the irreversibility of its consequences, most of our clients are terrified of making a claim for UC. We have even seen clients who do not want to claim UC, even if they would be better off, as they are afraid of losing the stability of their ongoing HB or Tax Credits payments.

More worryingly, we have seen more than one case where our clients have been incorrectly advised to claim UC by the DWP or HMRC, *when they did not have to*, losing their rights to their ongoing benefits, which in their cases were more generous and less stressful to receive.

CASE 3. K., a disabled self employed person, who worked 16 hours per week and received Tax Credit (TC) and HB, had an additional acute illness which forced her to stop working. Under the TC legislation, K. was entitled to claim sickness benefit ESA, on the top of TC, for six months. When she tried to claim ESA, however, K. was wrongly advised by a DWP officer that since Brighton is a full service' area, she could only claim UC. K. then claimed UC, and immediately lost her entitlement to TC and HB, and was informed that she could not 'un-claim' UC and return to them. K. was then left on no income for a month, waiting for UC to be processed. In fact, K. could

have claimed a non-means-tested form of ESA without losing her TC and HB. When we saw K., she had already gone through Christmas on no income and spent all her savings, and we had to refer her to a food bank.

3. Cuts to all benefits levels - Employment and Support Allowance

The general levels of all benefits is an ongoing source of poverty in the UK. For example, Joseph Rowntree Association calculated last year that a single person in the UK needs to earn at least £17,900 a year before tax to afford a minimum acceptable standard of living - this is significantly higher than the figures discussed by us in section 1.²

Among all cuts to personal allowances, one whose impact is still to be assessed is the cut on the sickness benefit Employment and Support Allowance for new claimants since March 2017. ESA claimants which are placed in the so-called 'Work Related Activity Group' would no longer be paid £28 in addition to a basic rate (e.g. £317.82 for a single adult over 25). It has been estimated that this cut will affect 60,000 people a year and, in the long run, a total of 500,000 sick claimants.³

4. Conclusions and recommendations

Since 2010, the U.K has undergone major changes within its welfare system. These changes have as resulted in a widespread drastic increase in poverty. We have come to the conclusion that the UK welfare system requires serious and immediate reform.

As rent prices across the UK continue to rise and HB cuts continues to be frozen, we are seeing heightening levels of evictions and homelessness. In addition, the introduction of UC in 2013 has had detrimental effects on the economic and social well-being of benefit claimants. This has led to the rise in child poverty and an increase in families accessing food banks.

We therefore urge the UN to recommend that the UK Government:

- Abolishes Universal Credit,⁴ takes a U-turn in their policy decision and re-implements the old system benefits including: Housing Benefits, Tax Credits, Job Seekers Allowance.
- Unfreezes and revises the Local Housing Allowance Rates to reflect average in the private sector; abolishes the Bedroom Tax and lifts the Benefit Cap.
- Implements rent control for private landlords, and hold them to account for breaches to these limits.
- Unfreezes and revises *all* benefit levels in line with the recommendations from the Joseph Rowntree Foudation to guarantee a minimum acceptable standard of living. Re-introduces the WRAG element in the ESA for claimants placed in the 'Work Related Activity Group.'

² <https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>.

³ <https://www.ifs.org.uk/publications/9117>.

⁴ Welby urges Universal Credit to be scrapped as claimants lose out', *The Guardian*, Thursday 13 September 2018.