

Unaffordable 'affordable' housing

Nothing divides this country as much as housing. At a time when other signs of social status have become less marked, where a person lives can determine the life chances of his/her children by being in the right catchment area for schools, an individual's chances of becoming a victim of crime, or even his/her health and life expectancy, as well as a host of other economic and social opportunities. This is why LAG believes that the government's proposals to cut housing benefit will compound the problems of poverty associated with inadequate housing and further stifle social mobility.

Iain Duncan Smith, the Secretary of State for Work and Pensions, set out his thinking on welfare reform at a conference held in June by the think-tank Reform. The secretary of state has shifted from being a right-wing, small state ideologue to a more compassionate brand of conservatism that appreciates the importance of the state's role in alleviating poverty and giving life chances to families on low incomes. Iain Duncan Smith understands that 'entire communities are blighted by inter-generational cycles of welfare dependency'. As a result, to ensure that this cycle can be broken, he wants to launch a new work programme as well as a simplified benefits system. This lofty ambition will be hard to achieve in an economic downturn with few jobs available into which to move welfare benefit claimants. Furthermore, his proposals on housing benefit risk penalising low-income households for the sake of budget cuts and nothing more.

The secretary of state thinks that reform of housing benefit is long overdue because of its cost, which he says will climb to £21 billion in 2014/15, and as it acts as a 'disincentive to move into work for those receiving it'. He also believes that housing benefit is distorting the social housing market and points to the fact that 75,000 people get over £10,000 per year in the benefit. The secretary of state's proposals though are draconian; if implemented, they will lead to greater homelessness and force families from their homes to temporary accommodation or properties in the dilapidated and geographically marginalised end of the housing market.

From October 2011, Local Housing Allowance rates will be based on rents for properties in the bottom 30 per cent of the

market, instead of the current 50 per cent. This will mean that tenants unable to find properties in the bottom 30 per cent will have to make up the difference in rent. There will also be a cap on rents from April 2011 which will range from £250 for a one-bedroom property to £400 for a four-bedroom property. London Councils, which represents the London boroughs, believes that a total of 18,645 households in London will be hit by the cap. Many families will be forced to move to areas outside the central London boroughs and away from jobs and services. In addition, people in other areas of the country, where house prices have doubled in the past ten years, will also be hit.

LAG believes that the reasons for the spiralling cost of housing benefit are linked to the lack of affordable housing for people on low incomes. This has been caused by the collapse in the social rented sector, which has been neglected by successive governments. People on low incomes make up the bulk of the almost 1.8 million households on council housing waiting lists. The vacuum created by the lack of social housing has been filled by private landlords fed by the buy-to-let property boom. There were just over three million households in the private rented sector in 2008/09.

The forgotten households: is intermediate housing meeting affordable housing needs?, a report published by Shelter last month, showed that at least 866,000 low-income households were unable to buy the affordable housing built with government subsidies. Often these households are caught in a housing poverty trap, in which they are unable to afford to buy a house, but are above the housing benefit rates and so are unable to gain access to any available social housing.

Only one in eight people who claim housing benefit are unemployed. Twenty per cent of housing benefit claimants are pensioners; many others claim either disability benefits or are in low-waged jobs. Around 50 per cent of claimants are making up a nearly £100 shortfall in housing benefit payments either from their pensions, other benefit income or earnings. The proposed cuts to housing benefit will tip many households over the edge into debt and eviction.

The housing market will not provide the solution: only an estimated 28,200 new homes were built in the December quarter of 2009. According to *The forgotten households* report, over the past five years, publicly funded, low-cost home ownership schemes accounted for over 40 per cent of all affordable housing built; unfortunately, these homes are out of the reach of many people on below average incomes. What low-income tenants need is not a cut in housing benefit, but more affordable social housing to be built in areas where they want to live.

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