



House of Commons
Welsh Affairs Committee

**The impact of changes
to housing benefit in
Wales: Government
Response to the
Committee's Second
Report of Session
2013–14**

**Fourth Special Report of Session
2013–14**

*Ordered by the House of Commons
to be printed 16 January 2014*

HC 1012
Published on 23 January 2014
by authority of the House of Commons
London: The Stationery Office Limited
£5.00

The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

Current membership

David T.C. Davies MP (*Conservative, Monmouth*) (*Chair*)
Guto Bebb MP (*Conservative, Aberconwy*)
Geraint Davies MP (*Labour, Swansea West*)
Glyn Davies MP (*Conservative, Montgomeryshire*)
Stephen Doughty MP (*Labour, Cardiff South and Penarth*)
Nia Griffith MP (*Labour, Llanelli*)
Simon Hart MP (*Conservative, Carmarthen West and South Pembrokeshire*)
Mrs Siân C. James MP (*Labour, Swansea East*)
Karen Lumley MP (*Conservative, Redditch*)
Jessica Morden MP (*Labour, Newport East*)
Hywel Williams MP (*Plaid Cymru, Arfon*)
Mr Mark Williams MP (*Liberal Democrat, Ceredigion*)

The following Members were also members of the Committee during this Parliament

Stuart Andrews MP (*Conservative, Pudsey*)
Alun Cairns MP (*Conservative, Vale of Glamorgan*)
Jonathan Edwards MP (*Plaid Cymru, Carmarthen East and Dinefwr*)
Susan Elan Jones MP (*Labour, Clwyd South*)
Owen Smith MP (*Labour, Pontypridd*)
Robin Walker MP (*Conservative, Worcester*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/welshcom

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in printed volumes.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Marek Kubala (Clerk), Anwen Rees (Committee Specialist), Alison Mara (Senior Committee Assistant), Baris Tufekci (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Welsh Affairs Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 3264; and the Committee's email address is welshcom@parliament.uk

Fourth Special Report

The Committee published its Second Report of Session 2013-2014 *The impact of changes to housing benefit in Wales* on 17 October 2013. The government response was received by the Committee on 6 January 2014 and is published as an Appendix to this Special Report.

Appendix: Government Response

The Government welcomes this report by the House of Commons Welsh Affairs Committee (Second Report of Session 2013-14) into the impact in Wales of housing benefit changes.

The Government believes strongly that it was necessary to reform housing benefit. The cost to tax payers increased by nearly fifty per cent in real terms under the previous Government, reaching £24 billion a year by 2012-13. Left unreformed, it would have cost over £26 billion a year by 2014-15. Currently, over 250,000 people living in Wales receive housing benefit at a cost of £1.1 billion per annum (2011-12 figures).

The Committee's report focuses on two main areas of reform: the removal of the spare room subsidy for social sector tenants; and the direct payment of housing costs to recipients of Universal Credit.

Removal of the spare room subsidy

The removal of the spare room subsidy is expected to reduce overall expenditure on housing benefit by almost £500 million a year. Expenditure in Wales will be reduced by around £30 million a year.

The Government is aware that historically Wales has had a high rate of housing benefit dependency, and we agree it is vital that mitigating support is used effectively.

The average reduction in benefit for each claimant in Wales will be lower, at £12 a week, than the national average of £14 a week. A high proportion of working age recipients of housing benefit who live in the social rented sector in Wales are under-occupying: 46% as against 31% for Great Britain as a whole. In light of this, the Government has provided Welsh local authorities an extra £2.6 million this year in discretionary housing payments specifically to support claimants affected by the policy. This means that Wales will receive a greater share of the total funding than its share of affected claimants. In addition, should Welsh local authorities need more funding, they can apply for funds from the £20 million reserve fund the Government has set up.

Discretionary Housing Payments provide only one means of mitigating the impact of welfare reform. There is a range of other options including: moving to a smaller property; moving to the private sector; taking up employment; and taking in a lodger. The Government recognises that not all of these options will be available to all tenants and that addressing the shortage in the supply of smaller social sector properties by the Welsh

Government will take time. Nonetheless, if all options are explored and utilised effectively, they have the potential to ameliorate any negative impacts of the policy significantly.

Direct payment of housing costs

Universal Credit will amalgamate six existing benefits, including housing benefit, into one monthly payment. Claimants will be expected to manage their own finances, including payment of their rent. This will result in improvements in financial capability which will make the transition to work easier and reduce the risk of failure and subsequent re-cycling back to benefits.

While the Government expects that the large majority of Universal Credit recipients will be capable of managing their rent payments, we recognise that some will experience difficulties. Those judged at the beginning of their claim to be at risk of mismanagement will have their rent paid direct to their landlord from the outset. Those who run up arrears equivalent to more than two months rent will also be switched to payment to the landlord if this is requested. In this way we will protect both tenants and social landlords.

Universal Credit will be rolled out in a controlled manner which will allow specific aspects of scheme to be observed and, where necessary, adapted. The Direct Payment Demonstration Project in Torfaen forms part of the national pilots; findings from this project are being used to help inform the future roll-out of national policy.

Recommendations

Under-occupancy

The Department for Work and Pensions must closely monitor whether local authorities are struggling to find alternative smaller accommodation for tenants who wish to downsize. If this is so, we urge the Government to undertake a speedy review of this policy.

The Government accepts the need to monitor the ability of tenants to downsize. However, local authorities have a clear responsibility to address the current imbalance in the social housing stock. Most social landlords have a mixture of different sized properties within their stock. They will inevitably have overcrowded households living in smaller properties, people in temporary accommodation and families on the housing waiting list. All of this creates pressure on the housing stock that can be ameliorated through more under-occupied households moving.

The evaluation and monitoring of the policy will include the impact of this measure on housing supply, subject to receiving the relevant information from the Welsh Government and Welsh local authorities, and we will consider any findings very carefully.

The Department for Work and Pensions must closely monitor whether the movement of tenants to smaller accommodation in the private rented sector leads to long-term savings in housing benefit expenditure. (Paragraph 34)

The Government accepts this recommendation.

However, it should be noted that where a claimant moves into a private rented sector property which is more expensive this does not lead necessarily to a net increase in public expenditure. The accommodation freed up by the move may well go to a larger family currently living in the private rented sector or in expensive temporary accommodation. Therefore what may initially appear to be an increase in expenditure may save money as the effects ripple outwards.

Of course, this would not be the result in every case but there is no evidence at present to suggest an overall cost to the taxpayer.

In addition, the policy may encourage more claimants to move into work or to let out spare rooms. This too would help to reduce expenditure on Housing Benefit.

We recommend that local authorities consider the use of a system of cash incentives for people over 60, who have not been affected by the under-occupancy policy, to encourage voluntary downsizing. (Paragraph 35)

The Government would support any such initiative by local authorities that provides incentives for tenants to move to more suitable accommodation. Indeed, some social landlords are already offering such schemes.

The Department for Work and Pensions should work with the Department for Communities and Local Government and local authorities to collect information on and monitor rental costs in the private rental market in Wales following the introduction of the policy. (Paragraph 37)

The Government accepts this recommendation. We will continue to work closely with local authorities, the Devolved Administrations and the Department for Communities and Local Government to collect information on and monitor rental costs in the private rental market.

We encourage housing associations and social landlords in Wales to undertake a comprehensive survey of their estates in order to ascertain whether there are a significant number of very small rooms currently classified as bedrooms. (Paragraph 41)

The Government does not take a view on this recommendation as it is directed at landlords in Wales. It is the responsibility of landlords to determine whether a room is to be designated as a bedroom and that determination forms part of the contractual agreement with the tenant.

We recommend that the Government issue discretionary guidance on the appropriate size of bedrooms in social rented sector accommodation. (Paragraph 42)

The Department issued guidance to local authorities in September 2013. We do not define the appropriate size of a bedroom in Housing Benefit legislation. It remains the responsibility of landlords to decide what constitutes a bedroom and charge rent accordingly.

The Courts recently found in favour of the Department in a number of Judicial Reviews related to the removal of the spare room subsidy, one of which was a shared care case. These decisions have been appealed and will be heard in January 2014.

We recommend that the Government assess the impact of the policy on separated families, and closely look at the impact on children affected by such arrangements. (Paragraph 44)

As part of the independent monitoring and evaluation, the Department will examine the effects of the policy on family life. However, it is a standard feature of the social security system that we do not make double provision.

Despite a significant increase in the level of Discretionary Housing Payment support available to local authorities across Wales, we recommend that the Department for Work and Pensions monitors the impact of the policy on local authority costs and on disabled tenants with adapted properties very closely to determine whether there is a case for exempting them from the policy. (Paragraph 48)

Reporting measures were introduced this year to monitor how Discretionary Housing Payments are supporting people affected by the welfare reforms. One of the areas that local authorities have been asked to report on is the number of awards that have been made to help with on-going rental costs for disabled people in adapted accommodation.

We understand the arguments that have been made for exempting certain categories of claimants from the reforms. However, we do not believe that a blanket exemption, which would take no account of the extent or costs of any adaptations, is the most effective or affordable approach.

We recommend that the Department for Work and Pensions carries out robust monitoring of the demand for DHP funding by social housing tenants affected by the under-occupancy policy, and monitors how local authorities are choosing to use this fund. This will help identify any particular shortfalls. (Paragraph 56)

The new reporting measures introduced this year will monitor how Discretionary Housing Payments are supporting people affected by the welfare reforms.

In light of the impact of our reforms on people living in Wales we have increased Discretionary Housing Payments contribution to Welsh local authorities from £2.8 million in 2012/13 to over £7 million this year. We are monitoring demand for Discretionary Housing Payments closely and have set aside a £20 million reserve fund to help where demand is particularly high. Local authorities have until February 2014 to apply for this additional funding.

We call on the Government to clarify at the earliest opportunity the support that will be available to tenants through the Discretionary Housing Payments scheme after 2014–2015. (Paragraph 57)

The Government has increased the Discretionary Housing Payment funding, which until April 2011 was £20 million per year, to £180 million this year. At the Autumn Statement we announced an additional £40 million funding in both 2014/15 and 2015/16 to ensure that the support available to people affected by the removal of the spare room subsidy will

not be reduced for the next two years. We will announce further details of the local authority allocations early in the new year. Discretionary Housing Payments are primarily intended to provide short-term assistance whilst people consider their options, but the additional funding will allow local authorities to provide longer term awards where appropriate, such as where a property has been significantly adapted to meet a disabled person's needs.

Managed payment of rent in Universal Credit

Prior to the nationwide introduction of Universal Credit in October 2013, we recommend that the Government provide for housing benefit to be paid direct to the landlords in certain circumstances, for example after a specified period of non payment. (Paragraph 72)

It is standard practice for local authorities to pay the housing benefit of claimants living in the social rented sector direct to landlords. For those in the private rented sector, benefit may be paid direct to the landlord if the tenant accumulates eight weeks' rent arrears.

We recommend that DWP work with the Welsh Government to monitor the impact of the move to direct payments on housing associations. (Paragraph 73)

DWP is testing direct payments of housing benefit to social sector tenants in six demonstration projects in the UK, with an emphasis on continued learning and feedback into Universal Credit design.

Torfaen Council with Charter Housing and Bron Afon Housing Association form the Welsh Demonstration Project. The Centre for Regional and Economic Social Research (CRESR) is providing the independent evaluation of the projects.

The Welsh Government is a member of DWP's Direct Payment Advisory Group and the Landlords' Learning Network, with whom the learning and evaluation are shared.

Monitoring the effects of welfare reform

We recommend that the Department for Work and Pensions continue to assess the cumulative costs borne by local authorities and social landlords as a result of the changes to housing benefit, including the under-occupancy policy and the introduction of direct payments under Universal Credit. (Paragraph 74)

The Department will continue to monitor any financial implications of the reforms on local authorities in accordance with its commitments under the New Burdens Doctrine, subject to receiving the relevant information from the Welsh Government and Welsh local authorities.¹

Direct payment of Universal Credit

We recommend that the Government provide a definition of "vulnerable" tenants for the purpose of direct payment of housing benefit under Universal Credit. (Paragraph 79)

¹ <https://www.gov.uk/government/publications/new-burdens-doctrine-guidance-for-government-departments>

We do not intend to provide a definition of ‘vulnerable’ as decisions about alternative payment arrangements should be based on individual circumstances. Any attempt to put a rigid definition in place may run the risk of being discriminatory. The decision to offer a claimant an alternative payment arrangement will be made by a DWP decision maker.

We will take into account a range of factors to help us identify a claimant’s needs, including:

- Drug, alcohol or other addiction problems
- Learning difficulties or mental health conditions
- Temporary or Supported accommodation
- Homelessness
- Severe debt problems
- Domestic violence

This list is not exhaustive.

Monitoring the effects of welfare reform

The Government should conduct an on-going assessment of the impact of changes to housing benefit on vulnerable tenants, with particular regard to mental health impacts. (Paragraph 80)

The Government will monitor and evaluate carefully the effect of the changes on vulnerable tenants subject to receiving the relevant information from the Welsh Government and local authorities. This will include an assessment of the impact on those with mental health problems.

Universal Credit and digital inclusion

In its response to this Report, we ask the Government to set out how it will support tenants with little or no IT skills when they apply for Universal Credit. (Paragraph 85)

Universal Credit provides a real opportunity to tackle digital exclusion, and give claimants greater control over managing their claim. Unlike the current benefits system, UC can be claimed from anywhere that has internet access. This opens up a range of possibilities for how services can support users in making and managing a claim. However, DWP recognises that some claimants will need extra support in order to access UC, and for some claimants, making an online claim and digital access will be a challenge.

The UC Local Support Services Framework, published in February 2013, provides a structure for the delivery of local support services to individuals needing additional help with the new demands of UC. This includes sign-posting claimants who are unable to access, and/or who may need help using IT, to locally available access and support provision.²

² See ‘Local Authority Led Pilots: A summary of early learning from the pilots,’ July 2013
<https://www.gov.uk/government/publications/local-authority-led-pilots-a-summary-of-early-learning-from-the-pilots>

As part of the roll-out of UC from October 2013, DWP will provide improved access to digital services across Jobcentre Plus, with 6000 new computers installed across the country, embedding digital technology and ensuring that jobseekers become used to online transactions.

Claimants who need support to transact online will be able to receive this over the telephone or through local support provision. The Department will continue to provide a service through telephone and face to face where a need exists.

The Department for Work and Pensions, the Department for Communities and Local Government, the Scottish government and the Welsh government are jointly supporting the 'Digital Deal' initiative. Digital Deal trials and shares ways of encouraging social housing tenants to get online. Registered social landlords were invited to submit match-funded bids for pilot projects.

The Department for Work and Pensions is contributing £300,000 alongside other public partners, with a total fund size of £400,000. This funding is for a one-off round. We are funding around 12 pilot projects from the challenge fund. The successful bids include a diverse range of projects such as community volunteer support and expert mentors, along with technological solutions such as mobile internet wi-fi clouds, converting TVs into internet devices and recycled IT equipment.³

The UK Government has also provided almost £57 million to the Welsh Government in order to ensure that broadband access is available to homes in the hardest to reach parts of Wales, thereby improving access for customers to claim online.

³ <https://www.gov.uk/government/news/digital-deal-12-projects-to-help-social-tenants-get-online>