House of Commons
Welsh Affairs Committee

The impact of changes to housing benefit in Wales

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Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/welshcom

Ordered by the House of Commons to be printed 8 October 2013
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).

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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).

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The impact of changes to housing benefit in Wales

Summary

The costs of housing benefit currently makes up more than a tenth of the UK Government’s expenditure on welfare, with costs forecast to reach £25 billion by 2014–15. The number of claimants in Wales has steadily increased over the past five years, and currently over 250,000 people in Wales receive housing benefit, approximately 8% of the population. The Government has introduced several measures aimed at reducing housing benefit expenditure. We examined two specific policies: changes related to under-occupancy in the social rented sector; and the move to ‘direct payment’ of housing benefit under Universal Credit. Our inquiry was narrowly focused on the immediate impact of the housing benefit reforms in Wales. It was not our role to examine the broader context in which the reforms were taking place, such as the need to reduce the UK deficit and the potential for societal changes and increased employment.

The Government’s policy on under-occupation came into force in April 2013 and is now a reality for social housing tenants in Wales. The Government estimates that 40,000 tenants in Wales will be affected by the policy, representing 46% of working age housing benefit claimants living in the social rented sector. This is the highest proportion of any region in Great Britain. During our inquiry, we received contrasting evidence about the merits of the policy in Wales where the population is sparser and the housing profile is unlike other parts of Britain, such as London.

The Committee’s key conclusions are:

- The under-occupancy policy affects proportionally more housing benefit claimants in Wales than elsewhere in Great Britain. Given this fact, we are concerned at the evidence we have received that there would be a lack of sufficient one and two bedroom homes available in Wales to ensure that everyone who wished to move as a result of the policy could be rehoused. This mismatch between supply and demand is likely to be more pronounced in rural parts of Wales.

- We recommend that the Department for Work and Pensions closely monitors 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 UK Government policy on under-occupancy makes it increasingly urgent for the Welsh Government to continue with its house-building programme, with a particular focus on the building of smaller sized properties. We recognise that this is a long-term solution which would require additional resources.

- If no social housing is available, tenants may need to move to the private rented sector, which witnesses have argued may be more expensive in many areas. The Government’s assertion that the under-occupancy policy will reduce rent prices in the private housing sector has yet to be proven. 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.

- 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.

- We have concerns over the Government’s decision not to exempt disabled tenants with adapted properties from the under-occupation policy. In particular, we note the costs to local authorities of moving a disabled household from a larger adapted property, that needs its adaptations removed, to a smaller property that needs adaptations installed. 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 authorities and disabled tenants with adapted properties very closely to determine whether there is a case for exempting them from the policy.

- We welcome the increase in funding that the Government has made available for the Discretionary Housing Payment scheme (DHP) in 2013–14 and 2014–15. However, we note concerns that the level of funding for the Discretionary Housing Payment scheme may be insufficient for the number of benefit claimants in Wales who find themselves in financial difficulty as a result of the under-occupancy policy. We recommend that the DWP carries out robust monitoring of the demand for DHP funding by social housing tenants affected by the under-occupancy policy to identify any shortfalls and monitors how local authorities are choosing to use this fund. The Government should also clarify at the earliest opportunity the support that will be available to tenants through the Discretionary Housing Payments scheme after 2014–15.

Following the introduction of Universal Credit nationally from October 2013, the Government intends that the housing component will be paid direct to tenants. We have heard concerns from tenants and social landlords about the proposal. Many tenants would prefer having the rent paid direct to the landlord.

The Committee’s key recommendations are:

- We have concerns that the Government’s proposal to pay housing benefit direct to social tenants under Universal Credit will result in some tenants being unable to manage their rent payments and that they may fall into debt. If this happens on a large scale, the direct payments policy will be a failure. The Committee recommends 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.

- We recommend that the Department for Work and Pensions work with the Welsh Government to monitor the impact of the move to direct payments on housing associations and other housing providers, including local authorities.

- 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.

- We recommend that the Government provide a definition of “vulnerable” tenants for the purpose of direct payment of housing benefit under Universal Credit.

- 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.

In this report, **conclusions are printed in bold** and *recommendations are printed in bold italics.*
1 Introduction

Housing Benefit

1. Housing benefit is a means-tested benefit that is administered by local authorities and is paid to eligible tenants who live in the social and private rented sectors. Entitlement to housing benefit is determined by the income and savings of a household, as well as their liability for rent payments. Although responsibility for housing policy has been devolved, housing benefit policy for Wales has been retained as a ‘UK function’.¹

2. Currently over 250,000 people in Wales receive housing benefit, approximately 8% of the population.² As shown in Figure 1, the number of claimants has steadily increased in Wales over the past five years: there were about 210,000 claimants in late 2008. This reflects a similar increase at the Great Britain level.

Figure 1: Number of Housing Benefit Claimants in Wales

![Wales Housing Benefit Recipients: November 2008 to February 2013](image)

Source: Housing Benefit and Council Tax Benefit Caseload Statistics, Department for Work and Pensions

3. The costs of housing benefit have almost doubled over the last decade, rising from £11 billion in 1999–2000 to £23 billion in 2011–12 and are forecast to reach £25 billion by 2014–15.³ It makes up more than a tenth of the Government’s expenditure on welfare.

¹ This is the same for Scotland. In Northern Ireland, housing benefit policy is formally devolved to the Northern Ireland Assembly.
² HC Deb, 24 Oct 2012, col 948W
³ Ev 80
4. In Wales the cost of housing benefit by the UK Government totalled £1.1 billion in 2011–12. This compares to £0.7 billion on police services in Wales, £1.1 billion on transport, and £4.4 billion on education. We heard during our inquiry that there are many reasons for the rise in expenditure, including the increase in the number of households receiving the benefit, the lack of affordable housing, and higher rental costs in the private housing sector (with nearly 70% of the increase attributed to private sector rent costs). We accept that the rate of increase in housing benefit expenditure in recent years is unsustainable and needs to be managed. This should be done in the context of wider economic circumstances. We acknowledge that one of the main reasons for recent increases in the housing benefit bill and projected further increases is inflation in private housing sector rents. Efforts to control housing benefit increases therefore have to include strategies to manage spiralling rents in the private rented sector, including direct rent controls.

5. In 2010, the Government announced several measures aimed at reducing housing benefit expenditure. Some have been enacted through the Housing Benefit (Amendment) Regulations 2012, the Rent Officers (Housing Benefit Functions) Amendment Order 2010 and the Welfare Reform Act 2012. The Welfare Reform Act 2012 also provides for the replacement of a number of benefits, including housing benefit, with a single payment of Universal Credit. This is expected to be rolled out in Wales in October 2013.

Our inquiry

6. Given the high number of the population in receipt of housing benefit in Wales and the potential impact of policy changes, we launched an inquiry in November 2012 to examine the impact of changes to housing benefit in Wales. We decided to focus on two Government policies: changes related to under-occupancy in the social rented sector, where Wales is disproportionately affected compared to other parts of Great Britain; and direct payment of housing benefit under Universal Credit. Our inquiry was narrowly focused on the immediate impact of the housing benefit reforms in Wales. It was not our role to examine the broader context in which the reforms were taking place, such as the need to reduce the UK deficit and the potential for societal changes and increased employment.

7. We took evidence from charities, housing associations, private landlords, the Welsh Local Government Association, and ministers from the Welsh Government and the Department for Work and Pensions. We are grateful to all who gave evidence to our inquiry.

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4 Country and Regional Analyses, October 2012, HM Treasury
5 This includes expenditure on services in Wales by UK Government departments, devolved administrations and local authorities.
6 Ev 80
7 Q 7
8 Ev 89
9 Introduction of national Local Housing Allowance (LHA) caps; Calculation of LHA rates based on the 30th percentile of market rents; Shared accommodation rate extended to under 35s in the private rented sector; Uprating non-dependent deductions to reflect increases in rent since 2001–02; Uprating of LHA rates by the Consumer Price Index; Deduction of housing benefit where the household is under-occupying social housing.
2 Under-occupancy

8. Under-occupation arises where a household lives in a property that is assessed to be too large for its needs. It is usually defined in terms of excess bedrooms. During the period 2009–10 to 2011–12, under-occupancy in the UK was 10% in the social rented sector and 15% in the private rented sector.\(^\text{10}\) As of April 2013, working-age social tenants in receipt of housing benefit have had their benefit calculated on the basis of the number of bedrooms they need rather than the number in the property in which they live. This has brought the social rented sector in line with tenants receiving housing benefit in the private rented sector, where such a policy has been in place since 1989.\(^\text{11}\)

9. Affected tenants face a reduction in their housing benefit of 14% for one additional bedroom—a reduction on average of £12 a week for Welsh tenants—and 25% where there are two or more additional bedrooms.\(^\text{12}\) Tenants have the option of remaining in their homes and meeting the shortfall from other income or seeking to move to smaller accommodation in the social or private rented sectors.

10. The Government has stated that there are two reasons for the introduction of the policy. The first is the need to reduce expenditure on housing benefit: the Government estimates that the policy will save around £480 million a year across Great Britain from 2013–14, with £30 million from Wales. Lord Freud, Minister for Welfare Reform, Department for Work and Pensions, told the House of Lords when the Welfare Bill Reform was being considered:

   I remind noble Lords of the core argumentation. We do not think that taxpayers should be expected to meet the cost of somewhere approaching 1 million spare bedrooms, a cost of around £0.5 billion every year. Clearly this is unfair, or certainly different, to those in the private rented sector who receive benefits based on their household need.\(^\text{13}\)

11. The second reason is the desire to secure behaviour changes amongst social housing tenants, encouraging tenants to think about their housing needs and to make the most efficient use of housing stock. The Department for Work and Pension’s (DWP) Impact Assessment states:

   [...] [The size criteria will provide] an economic incentive for tenants to move to smaller properties where their accommodation is considered larger than necessary to meet their needs and those of their household.\(^\text{14}\)

12. Witnesses gave contrasting evidence about the merits of the policy. Some of the concerns raised by critics of the policy included:

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\(^\text{10}\) English Housing Survey, Department for Communities and Local Government, February 2013

\(^\text{11}\) Rent Officers (Additional Functions) Order 1989

\(^\text{12}\) The average benefit received is £89.42 a week for Great Britain as a whole, and £75.33 a week for Wales.

\(^\text{13}\) HL Deb, 14 February 2012, col 706

\(^\text{14}\) Impact Assessment, Department for Work and Pensions, 16 February 2012
• The policy would affect some of the poorest people in society: families unable to downsize will have “to choose between paying their rent and feeding their families”; 15

• The social disruption created by people having to move: “it might start creating destabilisation in that long-term residents might be forced out. That might adversely affect local communities”; 16

• Both the Government’s aims could not be met at once: the Government would only realise housing benefit savings in full if tenants did not seek to move from the homes they were under-occupying. 17

13. We also heard evidence to support the policy, for the following reasons:

• The cost of housing benefit expenditure was too high and needed to be managed; 18

• The policy was fair because it brought the social rented sector in line with the private rented sector: “Having parity between the social sector and the private rented sector will enable a shift from one to the other”; 19

• It was fair for benefit recipients to have the same incentives to live within their means as families not receiving benefits: “people in receipt of housing benefit should not be immune from the same kinds of decisions made by other people”. 20

14. There is a great deal of political disagreement over the Government’s policy to base the amount of housing benefit on the number of ‘spare’ rooms in a property. We are unable to find consensus on the merits of the policy.

15. However, the policy is now in place and is a reality for social housing tenants in Wales. Our inquiry has examined the implications of the policy in order to make practical suggestions about its delivery.

16. We agree with the general principle of consistency between the private rented sector and the social rented sector for tenants receiving housing benefit. We note that previous reform of housing benefit paid to tenants in the private rented sector was phased in for new tenants, not imposed upon existing tenants. However, the phased approach was able to achieve its objective fairly quickly in the private rented sector due to the higher turnover of tenants in that sector.

15 Ev 75
16 Q 14
17 Q 110. Lord Freud states that this would not increase public expenditure in the long-run due to the consequential movement of tenants that the under-occupancy policy would encourage, see para 44.
18 Ev 80
19 Q 175
20 Q 61
Under-occupancy in Wales

17. The Government estimates that 40,000 tenants in Wales will be affected by the policy, representing 46% of working age housing benefit claimants living in the social rented sector.\textsuperscript{21} This is the highest proportion of any region in Great Britain: the next highest is the North West and Yorkshire & Humberside with 43% of social housing working-age tenants affected (Figure 2). The average across Great Britain is 31%. DWP estimates that there are 100,000 spare bedrooms in households occupied by working age claimants in the social housing sector in Wales.\textsuperscript{22}

Figure 2: Estimated number of claimants in regions of Great Britain affected by the under-occupancy policy

<table>
<thead>
<tr>
<th>Government Office Region</th>
<th>Estimated number of claimants affected</th>
<th>Affected claimants as % of working age SRS HB claimants in each region</th>
<th>Average weekly HB reduction per affected claimant</th>
</tr>
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<tbody>
<tr>
<td>North East</td>
<td>50,000</td>
<td>37%</td>
<td>£13</td>
</tr>
<tr>
<td>North West</td>
<td>110,000</td>
<td>43%</td>
<td>£14</td>
</tr>
<tr>
<td>Yorkshire &amp; Humberside</td>
<td>80,000</td>
<td>43%</td>
<td>£13</td>
</tr>
<tr>
<td>East Midlands</td>
<td>40,000</td>
<td>27%</td>
<td>£12</td>
</tr>
<tr>
<td>West Midlands</td>
<td>60,000</td>
<td>31%</td>
<td>£13</td>
</tr>
<tr>
<td>Eastern</td>
<td>50,000</td>
<td>30%</td>
<td>£15</td>
</tr>
<tr>
<td>London</td>
<td>80,000</td>
<td>22%</td>
<td>£21</td>
</tr>
<tr>
<td>South East</td>
<td>40,000</td>
<td>22%</td>
<td>£15</td>
</tr>
<tr>
<td>South West</td>
<td>30,000</td>
<td>20%</td>
<td>£15</td>
</tr>
<tr>
<td>Wales</td>
<td>40,000</td>
<td>46%</td>
<td>£12</td>
</tr>
<tr>
<td>Scotland</td>
<td>80,000</td>
<td>33%</td>
<td>£12</td>
</tr>
<tr>
<td>Great Britain</td>
<td>660,000</td>
<td>31%</td>
<td>£14</td>
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18. The Government’s statistics were reinforced by local evidence provided by housing associations from Wales. Cynon Taff Community Housing Group estimated that 40% of its tenants lived in under-occupied houses: 29% in houses with one extra bedroom and 11% with two,\textsuperscript{23} and Bron Afon Community Housing told us that about 1,300 households were affected by the under-occupancy policy.\textsuperscript{24} Witnesses told us that Wales had a higher number of households with additional rooms for three main reasons:

- the type of accommodation available, with Wales having a lack of smaller accommodation;\textsuperscript{25}

\textsuperscript{21} Impact Assessment, Department for Work and Pensions, 16 February 2012
\textsuperscript{22} Number of spare bedrooms, according to the Housing Benefit Size Criteria, in working age households in the social rented sector in Great Britain, Department for Work and Pensions, 14 May 2013
\textsuperscript{23} Ev 59. Cynon Taf Community Housing works throughout the east (Cynon Valley) and south (Taff Ely) of the County of Rhondda Cynon Taff. It manages 1,824 homes in the area.
\textsuperscript{24} Ev 91. Bron Afon Community Housing manages and maintains 8,000 rented homes across the Borough of Torfaen.
\textsuperscript{25} Q 7
historical policies and procedures by social landlords, where couples were often allocated larger houses to allow families to develop;\(^{26}\) and

social demographics, with Wales having a proportionally higher number of older tenants compared to the rest of Great Britain, and families having fewer children than in the past.\(^ {27}\)

### Availability of homes in Wales

19. The Government estimates that about a quarter of tenants across Great Britain will wish to move to alternative smaller accommodation as a result of the policy, either in the social or private rented sector.\(^ {28}\) This movement would enable larger properties to be used for those tenants on social housing waiting lists,\(^ {29}\) or larger families currently living in overcrowded households.\(^ {30}\) We explore the availability of houses in both sectors below.

#### Social rented sector

20. We heard much evidence that there was a shortage in Wales of smaller accommodation in the social rented sector for tenants wishing to downsize.\(^ {31}\) The Welsh Local Government Association (WLGA) explained that there was a mismatch between the social housing that had been developed historically in Wales and current demand. Many housing associations were dealing with properties that had been developed from the 1940s for families with children, but there was now a greater demand for smaller one and two bedroom properties. The WLGA told us that this could result in tenants being unable to avoid having their housing benefit reduced if no suitable accommodation existed in their locality.\(^ {32}\)

21. This was reinforced by evidence from housing associations across Wales. Bron Afon Community Housing said that there were 86 housing benefit claimants in Blaenavon needing to move to one-bedroom accommodation, but that only five such properties became available every year. It noted that it would take “17 years to re-house all those households in our one-bedroom properties.”\(^ {33}\) A recent report by BBC Wales noted that in four areas—Ceredigion, Blaenau Gwent, Monmouthshire and Torfaen—there were no one-bedroom social sector houses available with local housing associations for tenants to move into. It also estimated that there were approximately 400 available one-bedroom social sector houses available across Wales for tenants to move into.\(^ {34}\)

22. Witnesses told us that tenants in rural areas would be particularly affected by the shortage of suitable smaller accommodation. Wales and West Housing said it had “almost

\(^{26}\) Q 94

\(^{27}\) Qq 157, 214

\(^{28}\) Q 240

\(^{29}\) The Government estimates that there are 90,000 households in Wales on social housing waiting lists.

\(^{30}\) The Government estimates that tenants currently occupy 10,000 overcrowded households in Wales.

\(^{31}\) Qq 6, 9, 93, 129

\(^{32}\) Q 93

\(^{33}\) Ev 92

\(^{34}\) [http://www.bbc.co.uk/news/uk-wales-22113289](http://www.bbc.co.uk/news/uk-wales-22113289)
no one-bed accommodation” in Powys for tenants looking to downsize.\(^{35}\) The WLGA said that some tenants from rural areas were having to move over 50 miles to find alternative accommodation.\(^{36}\)

23. Housing associations told us that they were already taking proactive measures to re-house tenants and ensure the most appropriate and efficient allocation of housing stock, but struggled with the availability of properties and other challenges.\(^{37}\)

**Private rented sector**

24. Due to the shortage of smaller sized social housing, we looked at whether the private rented sector could provide a solution. Currently, approximately 21% of tenants in private rented accommodation receive housing benefit.\(^ {38}\) We heard that more housing benefit claimants would look to move to the private rented sector as a result of the under-occupancy policy. Bron Afon Community Housing told us that they would be proactively “advising and assisting” tenants to move to the private rented sector.\(^ {39}\)

25. The WLGA, however, told us that the higher rents in the private rental sector compared to the social rental sector would lead to increased public expenditure: “a family paying £89 per week for a three bedroom property in Swansea will have to pay almost £104 (Local Housing Allowance rate) for a two bedroom house in the private sector, an increase of 46% that will be funded from housing benefit”.\(^ {40}\)

26. Some witnesses told us that they disagreed with the Government’s argument that moving tenants to the private sector would have a positive knock-on effect in the social rented sector, with larger properties becoming available for tenants on the waiting list with larger families. Wales and West Housing told us that households on the waiting lists in Wales were generally small households and would not meet the criteria to receive the larger properties available.\(^ {41}\) Cynon Taf Community Housing Group expressed concern that there were more larger homes than larger families available to occupy them: “if we have to allocate [...] on the basis of the housing criteria, we would end up with a lot of empty properties”.\(^ {42}\)

27. We asked the Minister about the potential for increased public expenditure if tenants moved to the private rented sector. He said this would not increase public expenditure in the long-run due to the consequential movement of tenants that the under-occupancy policy would encourage. Tenants would move into smaller properties, thereby making larger properties available for tenants on social housing waiting lists or those in overcrowded households:

\(^{35}\) Q 132  
\(^{36}\) Q 111  
\(^{37}\) Q 137  
\(^{38}\) Q 171  
\(^{39}\) Ev 92  
\(^{40}\) Ev 89  
\(^{41}\) Q 137  
\(^{42}\) Q 137
... if you move someone currently living in three-bedroom accommodation to one-bedroom private accommodation, which is more expensive, you can take a family on the waiting list out of three-bedroom private housing and put them in three-bedroom social housing. You save on the overall transaction.\textsuperscript{43}

28. The Government has also stated that reducing the amount of housing benefit payments to tenants would “exert downward pressure” on private sector rents, rather than increase public expenditure.\textsuperscript{44} The National Landlords Association (NLA), however, told us that this was based on the assumption that rents had increased to match an increase in housing benefit expenditure. The NLA said that rents had risen as a result of shortage of supply, not as a result of the level of housing benefits payments, and therefore “reducing the ability to pay through housing benefit will not automatically bring down rents”.\textsuperscript{45}

\textbf{Building more homes}

29. Housing is a devolved area of policy. Witnesses told us that there was a need to increase the supply of housing—both social and private—in Wales. A Welsh Government report from 2006 estimated that 14,200 new homes needed to be built each year until 2026.\textsuperscript{46} However, between 2005–06 and 2011–12, an average of only 7,232 houses have been built each year in Wales (an average of 6,595 new houses in the private housing sector and 637 new houses in the social housing sector).\textsuperscript{47} We heard evidence that this could have contributed to increasing private sector rent costs. As we note in paragraph 4, rental costs in the private rented sector account for an estimated 70% of the increase in housing benefit expenditure between 1999 and 2011.

30. When questioned on the lack of house-building in Wales, Carl Sargeant AM, Minister for Housing and Regeneration in the Welsh Government, told us that the Welsh Government’s house-building programme had been affected by the UK’s Government fiscal policy.\textsuperscript{48} While the Committee recognises that the block grant has, in real terms, decreased since 2010, we note the expansion in the Welsh Government’s budget between 1999 and 2010. Figure 3 below shows the supply of housing during this period, while Figure 4 shows the Welsh Government Departmental Expenditure Limit (DEL)\textsuperscript{49} against public expenditure on social housing development in Wales (2010 prices).

\textsuperscript{43} Q 208
\textsuperscript{44} Ev 83
\textsuperscript{45} Q 181
\textsuperscript{46} \textit{Housing need and demand in Wales 2006-2026}, Welsh Government 2006
\textsuperscript{47} https://statswales.wales.gov.uk/Catalogue/Housing/New-House-Building/NewDwellingsCompleted-by-Period-Tenure
\textsuperscript{48} Q 87
\textsuperscript{49} Normally set over three or four years as part of the UK Government’s spending review process, the Departmental expenditure limit is the multi-year budget limit for the Welsh Government.
31. The Welsh Government Minister recognised the need to build smaller properties in Wales, but stated that the under-occupancy policy was being applied “too quickly” and that the housing sector was “not prepared” and thus unable to react:
... my concern is that this is being done too quickly, and we cannot react to changes in the housing sector that quickly. We are trying to develop single-bedroomed properties, which may take two, three of four years to develop.\textsuperscript{50}

32. The under-occupancy policy affects proportionally more housing benefit claimants in Wales than elsewhere in Great Britain. Given this fact, we are concerned at the evidence we have received that there would be a lack of sufficient one and two bedroom homes available in Wales to ensure that everyone who wished to move as a result of the policy could be rehoused. This mismatch between supply and demand is likely to be more pronounced in rural parts of Wales.

33. 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.

34. We heard evidence that moving tenants to smaller properties in the private rental sector, where rents are often higher, will not lead to long-term savings in public expenditure. There are concerns that the Government's assumptions are based on the housing market in areas such as London, where the market is more dynamic, and less so on the particular housing profile in Wales. 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.

35. 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.

36. The UK Government policy on under-occupancy makes it increasingly urgent for the Welsh Government to continue with its house-building programme, with a particular focus on the building of smaller sized properties. We recognise that this is a long-term solution which would require additional resources.

37. If no social housing is available, tenants may need to move to the private rented sector, which witnesses have argued may be more expensive in many areas. The Government's assertion that the under-occupancy policy will reduce rent prices in the private housing sector has yet to be proven. 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.

Impact on children and disabled adults

Children

38. From April 2013, in the social housing sector, one bedroom will be allowed for each person or couple living as part of the household with the following exceptions:
• a child of 15 or under will be expected to share with another child of the same gender; and

• a child of 9 or under will be expected to share with one other child aged 9 or under, regardless of gender.

39. The number of bedrooms in a house is defined by the landlord, and is not determined by the size of the room or how the room is used. We heard concerns that while some bedrooms would accommodate two children sharing, others would not. In a report published in 2012, the National Housing Federation expressed concern on the issue of bedroom sizes and suitability for sharing:

Some bedrooms will be able to accommodate two 15 year-old boys, for example, but some will not. A three bedroom house with three large bedrooms might be appropriate for a couple and four children. But a three bedroom house with one large double room and two small bedrooms suitable only for single occupancy might be appropriate only for a couple and two children.

Shelter Cymru said that there could be a contradiction between a landlord’s definition of a bedroom, and an appropriate size for such a room.

40. The Minister said that the Government had deliberately not provided guidance on the appropriate size of bedrooms due to the “administrative burden” this would cause. He stated that there was the opportunity for landlords to re-designate houses, if they wanted, although he did not expect this to happen on a large scale:

You may find that the local authority or the social housing landlord may look at a boxroom and say that the house is possibly not a three-beder but is really a two-beder. We are expecting to see some redesignation on a very specific scale, but we are not expecting it on a mass scale; we would not encourage that to be played around with, but it can be.

41. The Committee also acknowledges the decision of the First Tier Tribunal Judge in a number of test cases brought against Fife Council. In these cases the judge found that, in accordance with the Housing Scotland Act 1987, a room measuring less than 50 sq ft is not a bedroom whilst a room size of between 50 and 70 sq ft can only be utilised as a bedroom by a child under the age of 10. In view of these non-binding findings, 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.

42. We are concerned that the criteria for under-occupancy require children to share rooms that are not of appropriate size. We recommend that the Government issue

51 Ev w24, Q 28
52 Comments on the draft size criteria regulations, National Housing Federation, 2012
53 Q 28
54 Q 216
discretionary guidance on the appropriate size of bedrooms in social rented sector accommodation.

43. We also questioned the Minister about separated families where children spend part of their time with each parent. The parent who is not designated as the main carer is not entitled to an additional room without a reduction in their housing benefit. Shelter Cymru expressed concern that the “policy would undermine the stability of family relationships”.\(^55\) The Minister agreed with the suggestion that affected families could make use of sofa beds, and expressed concern about the cost of dual provision of bedrooms:

> Basically, you are giving a child a bedroom in two places. It is a very expensive thing for the state to do, and currently we cannot afford this.\(^56\)

44. **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.**

**Exemption for disabled tenants with adapted properties**

45. Witnesses expressed concern about the impact the under-occupancy policy could have on disabled tenants with adapted properties.\(^57\) Adaptations in social sector rented properties vary from stair-lifts and level-access showers to extensions and additional rooms. Bron Afon Community Housing said it had spent almost £1 million on adapting 260 properties for disabled tenants.\(^58\)

46. Housing associations informed us that they would not be able to afford to adapt any new homes if disabled tenants had to move due to under-occupation rules. We were told that money that had already been spent on adapting existing homes for disabled tenants would be “wasted”.\(^59\) Bron Afon Community Housing commented:

> Unless we spend the same amount of money again and waste the money we have spent, we will not be able to rehouse them [disabled tenants].\(^60\)

47. The Minister told us that there were an estimated 35,000 potentially affected claimants who were wheelchair users and lived in adapted accommodation across Great Britain.\(^61\) The Minister did not have a specific figure for Wales. Additional funding for Discretionary Housing Payments were available for disabled people to enable them to remain in their existing homes. However, as we describe below, this money is not ring-fenced for particular groups, and can be used to assist all tenants with a variety of costs at the discretion of the local authority.

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\(^{55}\) Ev 63  
\(^{56}\) Q279  
\(^{57}\) In March 2013, the Government exempted foster carers (for one spare bedroom) and armed forces personnel from the under-occupancy policy.  
\(^{58}\) Q 139  
\(^{59}\) Q 139  
\(^{60}\) Q 139  
\(^{61}\) Q 217
48. We have concerns over the Government’s decision not to exempt disabled tenants with adapted properties from the under-occupation policy. In particular, we note the costs to local authorities of moving a disabled household from a larger adapted property, that needs its adaptations removed, to a smaller property that needs adaptations installed. There has been a lack of clarity as to who will or will not be exempt from this policy (for instance, military personnel). 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.

Discretionary Housing Payment

49. The Government’s discretionary housing payment (DHP) scheme provides claimants with further financial assistance with their housing costs and council tax. Each local authority is given a sum of money which they can allocate as they see fit. DWP have acknowledged that reductions in the amount of housing benefit could “cause challenges” for some individuals and have increased the budget for discretionary housing payments in response. The total funding available for 2013–14 is £150 million, a significant increase from £60 million in 2012–13. £25 million has been specifically allocated to address the under-occupancy policy. The Government has allocated £120 million to the scheme for 2014–15. In Wales, the increase has been from just over £2.5 million in 2012–13 to almost £6.2 million in 2013–14.

50. We heard three main concerns about the DHP scheme. First, that there was a lack of central guidance from DWP about the delivery of the scheme, which could lead to inconsistent application by each local authority. Citizens Advice Cymru noted that the processes and priorities were different in each local authority, for example in respect of the automatic right to review or appeal.

51. Second, we heard concern that the additional increase in DHP would not be sufficient to cover all requests from tenants. Community Housing Cymru estimated that Government reform would lead to an annual reduction of £28.9 million in housing benefit, but that Wales was only receiving £6.2 million in DHP to support affected tenants. That would mean that local authorities would have to make difficult decisions about which tenants should receive DHP support. But we also heard that such difficult decisions were often best made on a local level where the decision makers understand the specific needs and demands of a locality.

52. Finally, some witnesses were concerned at the lack of clarity about the future of the scheme beyond 2014-15. Bron Afon Community Housing noted that the DHP scheme would provide some relief for households during 2013-14 and 2014-15 but expressed

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62 Ev 83
63 Ev 55
64 Ev 75
concern about annual provision thereafter. It also expressed concern about how individual tenants would be supported in the long-term:

... none of these households know whether they will receive this payment for the whole year or more importantly on a longer term basis as DHP funding is for one year only. This means the stress and anxiety of not knowing if they can afford to remain in their homes long term remains.\textsuperscript{65}

53. In respect of potential inconsistency in application, the DWP told us that it was not appropriate for Government to prescribe how the money should be spent: “We want local authorities to utilise the money according to the demand in their areas and the particular problems of individual people”.\textsuperscript{66} Local authorities could use the money to help disabled tenants remain in significantly adapted accommodation, but also for advance rent payments, deposits, or removal costs. In discussing the future of the scheme, Lord Freud could not commit the level of funding long-term. He said much of the funding would be for “transition costs as opposed to long-term support”.\textsuperscript{67} The 2015-16 Spending Review did not specify the level of funding that would be available for the scheme.

54. We welcome the increase in funding that the Government has made available for the Discretionary Housing Payment (DHP) scheme in 2013–14 and 2014–15. The freedom to operate a policy that responds to specific local needs is the very essence of localism. Issues of significant concern in rural Powys might be very different to issues of significant concern in the centre of Cardiff, Swansea or Newport.

55. We note, however, the concerns expressed to us that the level of DHP funding may still be insufficient for the number of benefit claimants in Wales who find themselves in financial difficulty as a result of the under-occupancy policy. There are also concerns about the level of funding beyond 2014–15.

56. 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.

57. 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.

\textsuperscript{65} Ev 92
\textsuperscript{66} Q 220
\textsuperscript{67} Q 211
3 Direct payment of housing benefit under Universal Credit

58. Currently, social rented sector tenants do not receive their housing benefit directly. Tenants housed by local authorities receive their housing benefit as a rent rebate and their rent accounts are adjusted accordingly, while housing associations usually require tenants’ housing benefit entitlement to be paid directly to them by the local authority.

59. Universal Credit, to be introduced nationally from October 2013, will replace a range of existing means-tested benefits and tax credits for working-age families. The Government intends that the housing component will be paid direct to tenants (‘direct payment’), although “vulnerable” tenants and pensioners will continue to have their housing costs paid direct to the landlord. This will bring the social housing sector in line with the private rented sector where, since April 2008, tenants have received their Local Housing Allowance direct (except in certain limited circumstances) and have been responsible for meeting their rent payments.

60. In Northern Ireland—where the administration of welfare benefits is devolved— the Northern Ireland Executive has decided not to move to a direct payments system.

61. The UK Government hopes that paying the housing component direct to tenants will encourage people to manage their own budget:

The Government’s intention is to pay universal credit to the claimant in the majority of cases. The Government believes that this policy will replicate the budgeting skills that people will need when working and will help to break the cycle of welfare dependency that is a feature of the current benefit system.

62. During our inquiry, we heard three main areas of concern about the move to direct payment of housing benefit: the risk of tenants falling into arrears; the lack of definition of “vulnerable” tenants; and the requirement that applications be made electronically.

Potential for arrears

63. Charities, housing associations and private landlords all expressed concern that the move to direct payments would lead to increased rent arrears, as many tenants had “little or no prior experience” in managing their rent payments. Further difficulties could be created by the fact that Universal Credit would be paid on a monthly system, rather than the current weekly or bi-weekly payments to which most tenants were accustomed.

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68 By 2017 it will have completely replaced Income Support, Income-based Jobseeker’s Allowance, Income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit.
69 Local Housing Allowance (LHA) is the type of housing benefit available to claimants securing accommodation in the private rented sector. It is means-tested and can be claimed by people in work as well as those who are disabled, retired, carers or unemployed.
70 HC Deb October 2011 c255W
71 Ev 75
72 Ev 60, Ev 66, Ev 75
However, the aim of this policy is to ensure that benefit recipients are supported towards the workplace where this is possible, and the ability to manage personal finances is considered to be a key part of the welfare benefit reforms.

64. In June 2012, DWP set up six pilot projects around the UK to test the direct payments scheme. One of the pilots took place in Wales, in Torfaen. The pilots will continue until December 2013 although an interim report was made to DWP in May. The Torfaen Demonstration Project’s report included the following statements:

- Arrears amongst tenants on direct payment are significantly higher than amongst the general tenant population; and
- Direct payment creates high levels of debt amongst substantial numbers of tenants.\(^{73}\)

Bron Afon Community Housing, who are part of the Torfaen Demonstration Project,\(^{74}\) told us in evidence that arrears had increased by “fourfold” under the direct payments pilot and that they were continuing to increase.\(^{75}\)

65. Housing associations raised concerns that they would struggle to absorb a significant increase in rent arrears from tenants. This, in turn, could place housing associations in financial difficulties, which could affect the confidence of lenders in the sector. We were told that housing associations currently rely on £2.8 billion from private lenders, which is used to improve the quality of social housing and the provision of new affordable housing. We also heard concerns that local authorities and other social landlords would face additional costs, such as the costs of collecting arrears and increased administration costs. Cynon Taf Community Housing Group stated that there was a “real danger to the viability of the [housing association] sector”.\(^{76}\)

66. The majority of our witnesses, including Community Housing Cymru, WLGA and Citizens Advice Cymru, argued that tenants should be given a choice as to who should receive the housing element of Universal Credit: themselves or their landlords. The Residential Landlords Association believed that, in choosing to have their rent paid direct to their landlords, tenants would be making a financially sound decision:

... for many [tenants] it would be a perfectly rational and financially responsible decision to have the assurance that their rent had been paid so that they could decide on how to spend the remainder of their income [...] Ministers should trust tenants to make their own decisions based on their own circumstances, rather than seek to restrict this ability.\(^{77}\)

67. Lord Freud recognised that the move to direct payment was a big change for social housing tenants. However, he emphasised the need to move the “norm over to people

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\(^{73}\) Direct Payment Demonstration Project: Learning and Payment figures, May 2013, Department for Work and Pensions

\(^{74}\) The Torfaen Demonstration Project is composed of Torfaen County Borough Council, Bron Afon Community Housing and Charter Housing

\(^{75}\) Q 165

\(^{76}\) Q 149

\(^{77}\) Ev 51
being responsible for their own [housing] payment”.78 When we raised concern over the level of arrears seen by Bron Afon Community Housing, he said that Torfaen had in fact been one of the “better performers” of the pilot projects.79 He emphasised that it was important to identify people who might face difficulties managing their payments before they were involved in the direct payment scheme.80

68. He did not agree that direct payments would undermine the financial viability of housing associations.81 He explained that social landlords would receive their rent payments directly should tenants fall into specified levels of arrears, a process referred to as ‘switchback’.82 This would enable rent arrears to be collected by the landlord:

The arrears go down as you switch people who cannot manage into managed payments. That is your protection mechanism. At the beginning, when you have a somewhat indiscriminate number of people going into direct payments, you may start off with a large figure [of arrears]. It then shrinks as you move those people out and recoup the money.83

69. But Bron Afon Community Housing said that its experience of the Torfaen pilot project had shown that the switchback mechanism did not allow landlords to recover rent arrears easily: “All the switchback achieves is to stop further arrears accruing so easily, it hasn’t enabled us to recover the debt”.84 As a result, the direct payments system could be detrimental to tenants’ confidence: “The danger is that, if we move them automatically on to a new system and then switch them back, they will have failed. We will have taught them how to fail”.85

70. The Minister was confident that housing associations would not face hardship: “I am going to make sure that there is a system whereby [housing associations] do not get into financial difficulties because of this”.86

71. **We have concerns that the Government’s proposal to pay housing benefit directly to social tenants under Universal Credit will result in some tenants being unable to manage their rent payments and that they may fall into debt. If this happens on a large scale, the direct payments policy will be a failure.**

72. For many tenants, the financially sound decision would be to have their benefit costs paid direct to their landlord. **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.

73. An increase in tenants’ rent arrears could have implications for the financial viability of housing associations, which might impact on their ability to improve current stock and build more affordable housing. **We recommend that DWP work with the Welsh Government to monitor the impact of the move to direct payments on housing associations.**

74. **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.**

**Vulnerable tenants**

75. The Government has said that “vulnerable tenants” and pensioners will continue to have their housing costs paid direct to the landlords (‘managed payments’). The Government estimates that a quarter or more of social housing tenants receiving housing benefits in Great Britain will be on managed payments.87 No data was available at a Welsh level. The Government has not provided a definition of “vulnerability” for this purpose. Assessors based centrally at DWP will be responsible for determining whether a tenant is defined as vulnerable. The Minister identified several broad categories of tenants who could potentially have managed payments, such as tenants with learning difficulties, mental health issues, addiction issues, and those already in arrears or severe debt.88

76. Many witnesses expressed concern that the lack of a definition of “vulnerability” could lead to inconsistency in the application of the policy. Bron Afon Community Housing also said that many tenants, applying for Universal Credit online, would be hesitant to “offer information that they have a mental health problem, learning disability or are in serious debt” or would not necessarily consider themselves to be “vulnerable”.89 The Welsh Government has called for a “non-exhaustive list” to be used to identify vulnerable groups, in order to assist the centrally located DWP benefit officers who were “unlikely to have any detailed knowledge of an individual’s circumstances”.90

77. When questioned about the wider mental health impacts on vulnerable tenants of the Government’s welfare reforms, the Minister was unable to specify the detail of consultations held with organisations such as the Samaritans and Mind.91

78. **We are concerned that the Government has no plans to provide a definition of “vulnerable” tenants under Universal Credit. This could lead to inconsistency when the policy is applied by DWP with some tenants who are not capable of managing their own money being expected to do so.**

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87 Q 256
88 Q 256
89 Ev 95
90 Ev 72
91 Q 283
79. **We recommend that the Government provide a definition of “vulnerable” tenants for the purpose of direct payment of housing benefit under Universal Credit.**

80. **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.**

**Use of Information Technology (IT)**

81. The Government intends that all claims for Universal Credit will be made online to the DWP, who will be the sole provider for Universal Credit. The Government has stated that the new system should be “digital by default”—in other words, managed and run online.

82. Almost half of that proportion of the UK’s adult population which does not use the internet lives in social housing. Community Housing Cymru described the use of an online system as a “seismic” move for social housing tenants, many of whom were not literate or IT literate, and did not have access to a computer.

83. We also heard concerns about the availability of good internet access across many parts of Wales. Our report in 2012 on *Broadband services in Wales* showed that the availability of broadband in Wales was consistently less than the rest of the UK, particularly in rural areas. Cynon Taff Community Housing Group told us that broadband coverage in their area was not comprehensive and would “significantly impact on tenants ability” to apply for Universal Credit online.

84. Lord Freud commented that “it would not be sensible in the 21st century to build a new service that was not digitally based”. He told us that broadband connections would improve in the future, with 4G being rolled out across Great Britain. Since the conclusion of our evidence sessions, the Government has announced a £250 million commitment to expand access to superfast broadband to 95% of rural households across the UK. Lord Freud said that over-the-phone assistance would be available but the service itself would be digital: “the intermediary or adviser will be able to see in digital terms what is happening at the same time as the claimant”.

85. **The move to an online service for Universal Credit will represent a significant change for many tenants in the social housing sector. 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.**

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92 [http://www.guardian.co.uk/housing-network/2011/dec/05/martha-lane-fox-social-housing-tenants-online](http://www.guardian.co.uk/housing-network/2011/dec/05/martha-lane-fox-social-housing-tenants-online)

93 Ev 76

94 Welsh Affairs Committee, First Report of Session 2012-13, *Broadband services in Wales*, HC 580

95 Ev 60

96 Q 269

97 Ofcom has stated that it hopes 98% of the UK will have 4G coverage by 2017, although it is not clear whether this will improve Wales’ broadband coverage in rural areas.

98 The Government announced the commitment in the 2015-16 Spending Review.

99 Q 269
86. Broadband coverage remains poor or non-existent in several areas of Wales. We are concerned that the Government has not fully taken this into account when deciding the new system will be digital.
Conclusions and recommendations

Conclusions

1. We accept that the rate of increase in housing benefit expenditure in recent years is unsustainable and needs to be managed. This should be done in the context of wider economic circumstances. We acknowledge that one of the main reasons for recent increases in the housing benefit bill and projected further increases is inflation in private housing sector rents. Efforts to control housing benefit increases therefore have to include strategies to manage spiralling rents in the private rented sector, including direct rent controls. (Paragraph 4)

2. There is a great deal of political disagreement over the Government’s policy to base the amount of housing benefit on the number of ‘spare’ rooms in a property. We are unable to find consensus on the merits of the policy. (Paragraph 14)

3. However, the policy is now in place and is a reality for social housing tenants in Wales. Our inquiry has examined the implications of the policy in order to make practical suggestions about its delivery. (Paragraph 15)

4. We agree with the general principle of consistency between the private rented sector and the social rented sector for tenants receiving housing benefit. We note that previous reform of housing benefit paid to tenants in the private rented sector was phased in for new tenants, not imposed upon existing tenants. However, the phased approach was able to achieve its objective fairly quickly in the private rented sector due to the higher turnover of tenants in that sector. (Paragraph 16)

5. The under-occupancy policy affects proportionally more housing benefit claimants in Wales than elsewhere in Great Britain. Given this fact, we are concerned at the evidence we have received that there would be a lack of sufficient one and two bedroom homes available in Wales to ensure that everyone who wished to move as a result of the policy could be rehoused. This mismatch between supply and demand is likely to be more pronounced in rural parts of Wales. (Paragraph 32)

6. We heard evidence that moving tenants to smaller properties in the private rental sector, where rents are often higher, will not lead to long-term savings in public expenditure. There are concerns that the Government’s assumptions are based on the housing market in areas such as London, where the market is more dynamic, and less so on the particular housing profile in Wales. (Paragraph 34)

7. The UK Government policy on under-occupancy makes it increasingly urgent for the Welsh Government to continue with its house-building programme, with a particular focus on the building of smaller sized properties. We recognise that this is a long-term solution which would require additional resources. (Paragraph 36)

8. If no social housing is available, tenants may need to move to the private rented sector, which witnesses have argued may be more expensive in many areas. The Government’s assertion that the under-occupancy policy will reduce rent prices in the private housing sector has yet to be proven. (Paragraph 37)
28 The impact of changes to housing benefit in Wales

9. We are concerned that the criteria for under-occupancy require children to share rooms that are not of appropriate size. (Paragraph 42)

10. We have concerns over the Government’s decision not to exempt disabled tenants with adapted properties from the under-occupation policy. In particular, we note the costs to local authorities of moving a disabled household from a larger adapted property, that needs its adaptations removed, to a smaller property that needs adaptations installed. There has been a lack of clarity as to who will or will not be exempt from this policy (for instance, military personnel). (Paragraph 48)

11. We welcome the increase in funding that the Government has made available for the Discretionary Housing Payment (DHP) scheme in 2013–14 and 2014–15. The freedom to operate a policy that responds to specific local needs is the very essence of localism. Issues of significant concern in rural Powys might be very different to issues of significant concern in the centre of Cardiff, Swansea or Newport. (Paragraph 54)

12. We note, however, the concerns expressed to us that the level of DHP funding may still be insufficient for the number of benefit claimants in Wales who find themselves in financial difficulty as a result of the under-occupancy policy. There are also concerns about the level of funding beyond 2014–15. (Paragraph 55)

13. We have concerns that the Government’s proposal to pay housing benefit directly to social tenants under Universal Credit will result in some tenants being unable to manage their rent payments and that they may fall into debt. If this happens on a large scale, the direct payments policy will be a failure. (Paragraph 71)

14. For many tenants, the financially sound decision would be to have their benefit costs paid direct to their landlord. (Paragraph 72)

15. An increase in tenants’ rent arrears could have implications for the financial viability of housing associations, which might impact on their ability to improve current stock and build more affordable housing. (Paragraph 73)

16. We are concerned that the Government has no plans to provide a definition of “vulnerable” tenants under Universal Credit. This could lead to inconsistency when the policy is applied by DWP with some tenants who are not capable of managing their own money being expected to do so. (Paragraph 78)

17. The move to an online service for Universal Credit will represent a significant change for many tenants in the social housing sector. (Paragraph 85)

18. Broadband coverage remains poor or non-existent in several areas of Wales. We are concerned that the Government has not fully taken this into account when deciding the new system will be digital. (Paragraph 86)

Recommendations

19. 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. (Paragraph 33)
20. 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)

21. 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)

22. 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)

23. 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)

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

25. 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)

26. 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)

27. 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)

28. 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)

29. 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)

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

31. 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)

32. 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)

33. 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)

34. 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)
Draft Report (The impact of changes to housing benefit in Wales), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 3 read and agreed to.

Paragraph 4 read.

Amendment proposed, in line 12, after “circumstances,” insert “We acknowledge that one of the main reasons for recent increases in the housing benefit bill and projected further increases is inflation in private housing sector rents. Efforts to control housing benefit increases therefore have to include strategies to manage spiralling rents in the private rented sector, including direct rent controls.” – (Jonathan Edwards.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 7
Geraint Davies
Stephen Doughty
Jonathan Edwards
Nia Griffith
Mrs Siân C. James
Jessica Morden
Mr Mark Williams

Noes, 2
Guto Bebb
Glyn Davies

Amendment accordingly agreed to.

Paragraph, as amended, agreed to.

Paragraphs 5 to 86 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.
Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Written evidence reported and ordered to be published on 14 May, 4 and 18 June and 3 July 2013 was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 22 October at 9.15 a.m.]
Witnesses

Monday 11 March 2013

John Puze\v{y}, Director, Shelter Cymru, Fran Targett, Director, Citizens Advice Cymru, and Alicja Zalesinska, Director, Tai Pawb

Jonathan Isaby, Political Director, The TaxPayers’ Alliance

Monday 15 April 2013

Carl Sargeant AM, Minister for Housing and Regeneration, Tamsin Stirling, Special Adviser, and Karl Thomas, Head of Welfare Reform (Housing) and Rent Officers Wales, Welsh Government, Naomi Alleyne, Director, Equalities and Social Justice, and Sue Finch, Housing Policy Officer, Welsh Local Government Association

Tuesday 16 April 2013

Nick Bennett, Group Chief Executive, Community Housing Cymru, Shayne Hembrow, Deputy Chief Executive, Wales and West Housing, Antonia Forte, Chief Executive, Cynon Taf Community Housing Group, and Duncan Forbes, Chief Executive, Bron Afon Community Housing Group

Richard Lambert, Chief Executive and Lee Cecil, Wales Representative, National Landlords Association, and Douglas Haig, Director for Wales, Residential Landlords Association

Tuesday 14 May 2013

Lord Freud, Minister for Welfare Reform, Geoff Scammell, Head of Housing Strategy and Martin King, Assistant Private Secretary, Department for Work and Pensions

List of printed written evidence

1 Residential Landlords Association Ev 50
2 Citizens Advice Cymru Ev 53
3 Cynon Taf Community Housing Group Ev 59
4 Shelter Cymru Ev 60
5 Welsh Government Ev 63, Ev 70, Ev 72
6 Tai Pawb Ev 72
7 Community Housing Cymru Ev 74, Ev 95
8 Wales and West Housing Ev 77
9 Department for Work and Pensions Ev 80, Ev 84, Ev 85
10 The TaxPayers’ Alliance Ev 86, Ev 87
11 National Landlords Association Ev 87
### List of additional written evidence

*(published in Volume II on the Committee’s website www.parliament.uk/welshcom)*

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