



House of Commons
Scottish Affairs Committee

The Impact of the Bedroom Tax in Scotland: Devolving the DHP Cap

**Fourteenth Report of Session
2013–14**



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Report, together with formal minutes

*Ordered by the House of Commons
to be printed 14 May 2014*

HC 1292
Published on 20 May 2014
by authority of the House of Commons
London: The Stationery Office Limited
£5.50

The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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Jim McGovern MP (*Labour, Dundee West*)
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Mr Alan Reid MP (*Liberal Democrat, Argyll and Bute*)
Lindsay Roy MP (*Labour, Glenrothes*)
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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.

Publication

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/scotaffcom. A list of Reports of the Committee in the present parliament is at the back of this volume. The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Rebecca Davies (Clerk), Rhiannon Hollis (Clerk), Phil Jones (Committee Specialist), Alasdair Mackenzie (Committee Specialist) Tom Barker (Assistant Policy Analyst), Helena Ali (Senior Committee Assistant) and Rosie Tate (Committee Assistant).

Contacts

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Conclusions and recommendations

Our inquiry: update

1. We welcome the decision of the UK Government to allow Scottish Ministers to set the statutory cap on DHPs in Scotland. We also welcome the Scottish Government's commitment to make additional funding available for mitigation. We urge both Governments to expedite the necessary procedures which will enable the Scottish Government to lift the cap on DHPs in Scotland as quickly as possible. (Paragraph 7)
2. Meanwhile, in the interim period, we urge the Scottish Government to:
 - i) make a clear commitment to provide sufficient funding to enable every Local Authority in Scotland to make DHP payments which will cover the full costs of the bedroom tax for all of those who have been affected by it.
 - ii) make a commitment that any rental arrears which have been accumulated during this financial year, as a direct result of the bedroom tax, should be written off, and any additional rent paid as a consequence of the bedroom tax, should be refunded.
 - iii) ensure that the process of application for such a refund is as simple as possible. (Paragraph 8)
3. We reiterate our view that if the Scottish Government is able to mitigate the impact of the bedroom tax in the current financial year, then it should also do so for the previous financial year (2013-14). Thus it should make additional funding available to ensure that all bedroom tax arrears are written off and, to avoid moral hazard, all bedroom tax payments made last year are refunded. It is essential that these issues are resolved and processes clarified as soon as possible. (Paragraph 9)

1 Our inquiry: update

1. The removal of the spare room subsidy, also known as the bedroom tax or under occupation penalty, came into force on 1 April 2013. The aim of the policy was twofold: to reduce housing benefit expenditure, and to use existing public sector housing stock more efficiently. The UK Government estimated that 80,000 claimants in Scotland would be affected by the bedroom tax, with an average weekly loss of £12. This represented approximately 33% of the working age housing benefit claimants in Scotland.¹ Those claimants have to make up the shortfall between housing benefit and rent each week, or move to a smaller property.

2. We launched our inquiry into the impact of the bedroom tax over a year ago, on 8 May 2013, and set out to evaluate the impact of the policy on tenants and landlords across Scotland. On 16 December 2013, we published our first interim report: *The Impact of the Bedroom tax in Scotland: Interim Report*.² We recommended that the bedroom tax should be abolished and its objectives pursued by other means. We proposed a number of key changes to the implementation of the policy and identified a number of key issues where we wished to gather further evidence. On 21 March 2014, we published our second interim report, *The Impact of the Bedroom Tax in Scotland: Plan B—charges, arrears and refunds*, which incorporated the UK Government Response to our first report.

3. In that Report, we welcomed the Scottish Government's belated decision to budget to negate the effect of the bedroom tax in Scotland for 2014-15, but criticised their chosen method of extending Discretionary Housing Payments (DHP) in order to achieve this. Margaret Burgess MSP, Minister for Housing and Welfare, Scottish Government, told us that the Scottish Parliament considered that improving ease of application for DHPs was the best way to help people impacted by the bedroom tax.³ She explained that, if the limit was lifted, "everybody effectively would be eligible to make an application [for DHP] and the application would be accepted".⁴ She felt that it would be difficult for the Scottish Government to mitigate the effects of the tax in any other way, stating there was a need to be careful that any scheme "does not fall foul of DWP regulations" since welfare policy was a reserved matter.⁵

4. Rt Hon David Mundell MP, Parliamentary Under-Secretary of State for Scotland, told us that there were other legal options open to the Scottish Government in deploying its extra funding.⁶ These might not only work around the problem of the DWP potentially refusing to raise the limit on DHPs, but also mitigate some of the issues with the DHP application process. Mr Mundell made it clear that it was the responsibility of the Scottish Government to approach the UK Government on alternative solutions, but stated that "if the Scottish

1 DWP, Impact Assessment page 10. The total UK estimate is for 660,000 claimants affected experiencing an average reduction of £14 per week in housing benefit

2 Fourth Report of Session 2013-14, HC 288

3 Q573 (HC 288)

4 Q575 (HC 288)

5 *ibid.*

6 Q224 (HC 288)

Government come[s] forward with specific proposals within the bounds of the Scotland Act”, the UK Government will work with it in assisting it to deploy its additional resources.⁷

5. While we recommended that the UK Government clarify the position in relation to the Scottish Government’s powers on this issue, we also called on the Scottish Government to produce a ‘Plan B’ in order to fully negate the impact of the bedroom tax in Scotland, for both 2013-14 and 2014-15. Furthermore, we recommended that all bedroom tax arrears accumulated in Scotland be repaid, and all payments made so far be refunded.

6. In a letter dated 2 May 2014, Mr Mundell wrote to the Committee to inform us of the UK Government’s decision to allow Scottish Ministers to set the statutory cap on DHPs in Scotland.⁸ The Scottish Government welcomed this announcement and has subsequently made a commitment to mitigate the cost of the bedroom tax in Scotland. It has since recommended that all individuals in Scotland who have been affected by the bedroom tax apply for a DHP.⁹

7. We welcome the decision of the UK Government to allow Scottish Ministers to set the statutory cap on DHPs in Scotland. We also welcome the Scottish Government’s commitment to make additional funding available for mitigation. We urge both Governments to expedite the necessary procedures which will enable the Scottish Government to lift the cap on DHPs in Scotland as quickly as possible.

8. Meanwhile, in the interim period, we urge the Scottish Government to:

i) make a clear commitment to provide sufficient funding to enable every Local Authority in Scotland to make DHP payments which will cover the full costs of the bedroom tax for all of those who have been affected by it.

ii) make a commitment that any rental arrears which have been accumulated during this financial year, as a direct result of the bedroom tax, should be written off, and any additional rent paid as a consequence of the bedroom tax, should be refunded.

iii) ensure that the process of application for such a refund is as simple as possible.

9. We reiterate our view that if the Scottish Government is able to mitigate the impact of the bedroom tax in the current financial year, then it should also do so for the previous financial year (2013-14). Thus it should make additional funding available to ensure that all bedroom tax arrears are written off and, to avoid moral hazard, all bedroom tax payments made last year are refunded. It is essential that these issues are resolved and processes clarified as soon as possible.

7 Q222 (HC 288)

8 This letter is appended to this Report.

9 <http://news.scotland.gov.uk/News/Tenants-encouraged-to-apply-for-Bedroom-Tax-help-c55.aspx>

Appendix 1: Correspondence from Rt Hon David Mundell MP

Letter from Rt Hon David Mundell MP, Parliamentary Under-Secretary of State for Scotland, 2 May 2014

Discretionary Housing Payments

I am writing to make you and your Committee aware that I have been in dialogue with each of Scotland's Local Authorities on welfare reform issues. In response to their feedback and issues raised in correspondence from the SG, I have now written to the Deputy First Minister on behalf of the UK Government to offer to provide Scottish Ministers with the power to set the statutory cap on Discretionary Housing Payments (DHPs) in Scotland.

The UK Government has legislated to provide local authorities across Great Britain with the ability to grant DHPs to support tenants in their area with housing costs not covered by Housing Benefit. As you will be aware, the UK Government provides a substantial contribution towards DHPs, which has increased to over £15 million in Scotland this financial year. Local Authorities are able to exercise broad discretion to determine how and when the money is distributed within each financial year, and are able to add to this contribution, subject to a formula-based cap. Powers for the Secretary of State to vary the cap are found in the Child Support, Pensions and Social Security Act 2000.

The Scottish Government has indicated that it would like to spend additional funds on DHPs in Scotland and following my direct programme of constructive engagement on welfare reform implementation with local authorities across Scotland, I have discussed this matter with colleagues in the Treasury and Department for Work and Pensions. As a consequence, I have written to the Scottish Government today to offer to provide Scottish Ministers with a power to set the statutory cap in Scotland. I propose to do so using section 63 of the Scotland Act 1998.

As you are aware, section 63 orders are a fundamental part of Scotland's flexible devolution settlement. They allow us to respond to situations of this sort in a pragmatic way. Devolution of the power to set the cap would enable the Scottish Government to set a separate cap for DHPs in Scotland. As you will be aware, this power will require agreement and cooperation between Scotland's two Governments and the approval of both the UK and Scottish Parliaments.

I would be happy to provide further information on this issue to you and the Committee when I appear before you next week with the Minister of State for Pensions.

Formal Minutes

Wednesday 14 May 2014

Members present:

Mr Ian Davidson, in the Chair

Mike Crockart
Jim McGovern
Graeme Morrice
Pamela Nash

Sir James Paice
Mr Alan Reid
Lindsay Roy

Draft Report (*The Impact of the Bedroom Tax in Scotland: devolving the DHP cap*), proposed by the Chair, brought up and read.

Motion made, and Question proposed, That the draft Report be read a second time, paragraph by paragraph. — (*The Chair.*)

Amendment proposed, to leave out from “That” to the end of the Question and add “this Committee declines to give the draft Report a second reading because it has not heard a full and balanced range of evidence, including from the Government”. — (*Sir James Paice.*)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 3

Noes, 4

Mike Crockart

Jim McGovern

Sir James Paice

Graeme Morrice

Mr Alan Reid

Pamela Nash

Lindsay Roy

Question accordingly negatived.

Main question put.

The Committee divided.

Ayes, 4

Noes, 3

Jim McGovern

Mike Crockart

Graeme Morrice

Sir James Paice

Pamela Nash

Mr Alan Reid

Lindsay Roy

Question accordingly agreed to.

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

Paragraphs 1 to 9 read and agreed to.

Appendix to the Report agreed to.

Resolved, That the Report be the Fourteenth 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, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Tuesday 10 June at 2.00 pm]

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Postal Services in Scotland	HC 669 (HC 884)
Second Report	Video Games Industry in Scotland	HC 500 (Cm 8067)
Third Report	UK Border Agency and Glasgow City Council	HC 733
Fourth Report	The Scotland Bill	HC 775
Fifth Report	Student Immigration System in Scotland	HC 912 (Cm 8192)
Sixth Report	The Referendum on Separation for Scotland: Unanswered Questions	HC 1806
Seventh Report	The Crown Estate in Scotland	HC 1117
Eighth Report	The Referendum on Separation for Scotland: Do you agree this is a biased question?	HC 1942

Session 2012–13

First Report	A Robust Grid for 21 st Century Scotland	HC 499
Second Report	The Referendum on Separation for Scotland: making the process legal	HC 542
Third Report	The Referendum on Separation for Scotland: a multi-option question?	HC 543
Fourth Report	The Referendum on Separation for Scotland: Terminating Trident—Days or Decades?	HC 676 (HC 861)
Fifth Report	The Future of HM Coastguard in Scotland	HC 583
Sixth Report	The Referendum on Separation for Scotland: The proposed section 30 Order—Can a player also be the referee?	HC 863
Seventh Report	The Referendum on Separation for Scotland: Separation shuts shipyards	HC 892
Eighth Report	The Referendum on Separation for Scotland: How would Separation affect jobs in the Scottish Defence Industry?	HC 957 (HC 257)
Ninth Report	Blacklisting in Employment: Interim Report	HC 1071

Session 2013–14

First Report	Remploy Marine Fife	HC 454
Second Report	The Referendum on Separation for Scotland: The Need for Truth	HC 828
Third Report	The Referendum on Separation for Scotland: A Defence Force for Scotland—A Conspiracy of Optimism?	HC 842
Fourth Report	The impact of the Bedroom Tax in Scotland: Interim Report	HC 288

Fifth Report	The Crown Estate in Scotland: follow up	HC 889
Sixth Report	Blacklisting in Employment: addressing the crimes of the past; moving towards best practice	HC 543
Seventh Report	Referendum on Separation for Scotland: the impact on higher education, research and tuition fees	HC 1144
Eighth Report	Land Reform in Scotland: Interim Report	HC 877
Ninth Report	The Impact of the Bedroom Tax in Scotland: Plan B – charges, arrears and refunds; incorporating the Government Response to the Committee’s Fourth Report of Session 2013-14	HC 937
Tenth Report	Zero Hours Contracts in Scotland: Interim Report	HC 654
Eleventh Report	Power Outages and Extreme Weather Conditions in the West of Scotland	HC 484
Twelfth Report	The Referendum on Separation for Scotland: Scotland’s Membership of the EU	HC 1241
Thirteenth Report	Blacklisting in Employment – update: incorporating the Government’s Response to the Sixth Report of Session 2013-14	HC 1291