House of Commons
Welsh Affairs Committee

The impact of changes to housing benefit in Wales


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

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The Welsh Affairs Committee

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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.

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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'.

2. Currently over 250,000 people in Wales receive housing benefit, approximately 8% of the population. 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

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. It makes up more than a tenth of the Government’s expenditure on welfare.

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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.\(^9\) 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.\(^11\)

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.\(^12\) 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.\(^13\)

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.\(^14\)

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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\(^9\) English Housing Survey, Department for Communities and Local Government, February 2013

\(^11\) Rent Officers (Additional Functions) Order 1989

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

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

\(^14\) 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. 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.

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>
</thead>
<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>
</tr>
</tbody>
</table>


18. The Government’s statistics were reinforced by local evidence provided by housing associations from Wales. Cynon Taf 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, and Bron Afon Community Housing told us that about 1,300 households were affected by the under-occupancy policy. 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;

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21 Impact Assessment, Department for Work and Pensions, 16 February 2012
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
23 Ev 59. Cynon Taf Community Housing works throughout the east (Cynon Valley) and south (Taff Ely) of the County of Rhondda Cynon Taf. It manages 1,824 homes in the area.
24 Ev 91. Bron Afon Community Housing manages and maintains 8,000 rented homes across the Borough of Torfaen.
25 Q 7
• historical policies and procedures by social landlords, where couples were often allocated larger houses to allow families to develop; 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.

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. This movement would enable larger properties to be used for those tenants on social housing waiting lists, or larger families currently living in overcrowded households. 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. 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.

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”. 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.

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...
no one-bed accommodation" in Powys for tenants looking to downsize.\textsuperscript{35} The WLGA said that some tenants from rural areas were having to move over 50 miles to find alternative accommodation.\textsuperscript{36}

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

\textit{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.\textsuperscript{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.\textsuperscript{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”.\textsuperscript{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.\textsuperscript{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”.\textsuperscript{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:

\textsuperscript{35} Q 132  
\textsuperscript{36} Q 111  
\textsuperscript{37} Q 137  
\textsuperscript{38} Q 171  
\textsuperscript{39} Ev 92  
\textsuperscript{40} Ev 89  
\textsuperscript{41} Q 137  
\textsuperscript{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 off the waiting list out of three-bedroom private housing and put them in three-bedroom social housing. You save on the overall transaction.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.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”.45

**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 2026.46 However, between 2005–06 and 2011–12, an average of only 7,232 houses have been built each year in Wales (an average of 6595 new houses in the private housing sector and 637 new houses in the social housing sector).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.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)49 against public expenditure on social housing development in Wales (2010 prices).

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43 Q 208
44 Ev 83
45 Q 181
46 Housing need and demand in Wales 2006-2026, Welsh Government 2006
48 Q 87
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

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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.62 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.63

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.64 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.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”.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”.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.

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65 Ev 92
66 Q 220
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.68 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 Allowance69 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.70

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.71 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.72

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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

\(^{73}\) 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”. 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. 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.

68. He did not agree that direct payments would undermine the financial viability of housing associations. He explained that social landlords would receive their rent payments directly when tenants fall into specified levels of arrears, a process referred to as ‘switchback’. 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.

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”. 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”.

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”.

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

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78 Q 254
79 Q 268
80 Q 268
81 Q 264
82 The demonstrations projects were testing different trigger points for the payment of housing costs to social landlords, including the number of payments, amount of money or length of time in arrears.
83 Q 268
84 Ev 95
85 Q 162
86 Q 262
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.\textsuperscript{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.\textsuperscript{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”.\textsuperscript{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”.\textsuperscript{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.\textsuperscript{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.

\textsuperscript{87} Q 256
\textsuperscript{88} Q 256
\textsuperscript{89} Ev 95
\textsuperscript{90} Ev 72
\textsuperscript{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
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)
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 discretionary 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)
Formal Minutes

Tuesday 8 October 2013

Members present:

David T.C. Davies, in the Chair

Guto Bebb
Geraint Davies
Glyn Davies
Stephen Doughty
Jonathan Edwards

Nia Griffith
Mrs Siân C. James
Jessica Morden
Mr Mark Williams

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 Puzez, 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

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3 Cynon Taf Community Housing Group Ev 59
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Oral evidence

Taken before the Welsh Affairs Committee
on Monday 11 March 2013

Members present:

David T.C. Davies (Chair)
Guto Bebb
Geraint Davies
Stephen Doughty
Jonathan Edwards
Nia Griffith
Mrs Siân C James
Jessica Morden
Mr Mark Williams

Examination of Witnesses

Witnesses: John Puzey, Director, Shelter Cymru, Fran Targett, Director, Citizens Advice Cymru, and Alicja Zalesinska, Director, Tai Pawb, gave evidence.

Chair: Good afternoon Mr Puzey, Ms Targett and Ms Zalesinska. Thank you very much for braving the weather and coming along this afternoon. As we have only a relatively short time, we might begin the questions now on changes to the welfare bill. I call upon Guto Bebb.

Q1 Guto Bebb: Good afternoon. Thank you for coming along. As you are well aware, the costs of housing benefit have increased dramatically over the 10-year period to 2009–10 by almost £10 billion, and there is an expected further increase to £25 billion by the end of this Parliament. Do you think that there is a need for this Government, or for any Government, for that matter, to try and control the increased costs of housing benefit?

John Puzey: It is important to remember that housing benefit has grown precisely because rents have grown quite considerably over the last few years. It is also important to remember that housing benefit is, of course, an in-work benefit. Figures suggest that well over 90% of new claimants over the last three years are from households where at least one adult in the household has been working. It is a combination of reducing real wages and quite rapidly increasing rents. That is certainly why housing benefit has increased quite dramatically. There are some who argue—that, as a proportion or share of GDP, it has not increased dramatically at all since the 1990s. In fact, it is a very similar share.

Our view is that the way to deal with housing benefit is to provide more affordable homes. If we can build and invest in more affordable homes, you start taking pressure off the particular benefit that is focused on the individual paying their rent.

Fran Targett: I agree with what John said around the figures. What is important from our perspective is making sure that what happens around housing benefit does not then inflict difficulty on the most vulnerable. The difficulty that we are in, despite what John said about GDP, is that the costs are rising, but the danger that we see in some of the things that are coming through in the proposed reforms is that we believe they will hit very vulnerable people. Any savings, in our view, should not be made against the most vulnerable in our communities.

Alicja Zalesinska: I agree with both Fran and John. Let me add that it is important to look at cuts to housing benefit and any savings that we are trying to make here as long-term savings. We must consider the long-term effect on different groups of people rather than just a short-term saving in the cost of housing benefit.

Q2 Guto Bebb: Could you expand on that? All the e-mails I am getting are about short-term impacts. What are the long-term impacts that you perceive from the changes that are being proposed?

Alicja Zalesinska: From our point of view, cuts to housing benefit or the under-occupation charge—whatever we want to call it in this case—would lead to savings because either people move to smaller homes or they pay for the spare bedroom. That would lead, hopefully, to short-term and quick savings in the housing benefit bill. However, there are a lot of vulnerable people, such as people in disabled groups and lone parents, where we think the long-term effect on those groups is going to be that they will become, effectively, poorer.

In the private rented sector—I am sure others will want to add something to this—we have to think whether they are making a saving if people transfer to private rented sector accommodation, which is smaller but might be the same cost or even more expensive. I am talking about long-term and side effects.

Q3 Guto Bebb: On that specific issue, is it not the case that, in 2006, Shelter argued that there is a dynamic to the housing market? If, for example, a larger house is made available because of somebody downsizing, is it not, clearly, the case that there would be a saving with somebody moving from the private sector or bed and breakfast into that larger, now unoccupied house? The point is that Shelter, in 2006, argued that providing larger houses would provide a dynamic within the sector.

John Puzey: Is that Shelter or Shelter Cymru, because they are two separate organisations?

Guto Bebb: It is a Shelter report of 2006.

John Puzey: Okay; that is not one of our reports. Clearly, you can make that case. We are talking about under-occupation now, are we?
Q4 Guto Bebb: We are talking about under-occupation. I am responding specifically to the comments made.

John Puzey: Absolutely, if people move out. The point is that nobody is against using homes more rationally. Nobody is against the idea if people are under-occupying, if it suits their needs at that time, and there are ways in which we can assist people into smaller housing. That absolutely makes sense because we do not have enough affordable homes. The key is the way we do it. Our concern is that the way it is being done through the benefits system is, in our view, a very brutal way of doing it because we are talking about people’s homes. It will, ultimately, be counterproductive and have other major costs associated with it. We should be looking at incentive schemes and ways in which we can assist people out of larger accommodation. The irony is that it is, probably, the older population where you are getting most of the under-occupation. The benefit rule changes are not going to affect older people, and I am certainly not advocating that they should, but we should be looking at ways in which we can assist people across tenures and, maybe, particularly older people getting into good quality, secure and affordable homes to suit their needs and their size. That will free up accommodation.

Q5 Chair: So it is not the principle that you are against but the way it has been done?

John Puzey: Exactly, yes. We all understand the need to use our housing stock more rationally. There are, indeed, incentive schemes around and we need to redouble our efforts on that.

Chair: There is a lot of interest in this subject. I am happy to bring people in, but we are time-limited. Members wanting to ask questions may direct them at one member of the panel rather than all three, just to keep proceedings swift.

Q6 Jessica Morden: I want to ask John Puzey whether there are good examples in Wales where housing associations are doing this kind of creative work when looking at housing stock.

John Puzey: There are some examples in local authorities and housing associations in Wales, where some useful work is going on in, for example, helping people with removal costs and covering some of the costs that might otherwise be an issue. The problem is that there is not enough of that smaller-type accommodation. There is a limit to that. It is also about how we can increase supply of that type of accommodation, either in new build or adjusting existing build so that it is able to meet that demand. Where it does exist, there are some examples of good practice not only in Wales but across the UK.

Q7 Mrs James: Looking at the situation in Swansea, there is a dearth of two-bedroomed accommodation. During the post-war building boom, when houses were built to the needs of that period, they were one and three-bedroomed houses. Our main challenge now in Swansea is that we do not have the smaller accommodation to move people into. Do you think that the only way around the problem is to build more?

John Puzey: It is a combination of building more and there are some schemes around for adapting as well so that some of the existing stock can be made more suitable for the needs of people. You are absolutely right—it is not only Swansea, but in every area in Wales there simply is not enough alternative accommodation for people who are under-occupying at the moment. We need to address that side of it before we force people—which is the way I would see it—out of their accommodation, or at least attempt to force people out of their accommodation. We need to meet that need.

One of the things that we are calling on the Welsh Government to do is use all that capital consequential, as you would expect a housing organisation to say, amounting to £227 million, to facilitate the building and renovation of one and two-bed occupied homes.

Q8 Mr Williams: Following the urban example from my colleague, you would agree, would you not, that the challenge for available affordable and social housing in rural areas is a particularly big problem? This debate should not be characterised as simply a problem in urban areas. The challenges of geography are probably even greater in a rural area.

John Puzey: You are absolutely right. There are clear challenges to the provision of affordable homes in rural areas. In some rural areas it is more acute than in the urban areas.

Q9 Nia Griffith: You have outlined most of the main reasons. Are there any other reasons why it is that in Wales we have a large number of properties that are deemed to be under-occupied? The figure is some 46%, according to the TaxPayers’ Alliance.

Fran Targett: The main reason why we have properties deemed to be under-occupied is the issue of there not being sufficient one and two-bedroom properties available for rent, either in the private sector or in the social sector. Something is missing there. That is not even necessarily about people’s choices about where they live; it is that there isn’t anything on the ground.

We did a survey in Rhondda Cynon Taf where we looked at the private sector. One of the alternatives being suggested is that people who are in this situation move out into the private sector. First, there were very few either one-bedroom or two-bedroom properties available in the private sector. We already knew that the housing associations locally had very little availability, and those that were available were more than the local housing allowance. So, that would lead people, potentially, into greater financial difficulty than they were already facing with the under-occupation. As things stand, it is almost as if we are taxing those people for the dearth of the smaller homes rather than dealing with that missing home.

Q10 Nia Griffith: Could you elaborate a little on that? You talk about taxing people for the dearth of homes. Is the point of housing benefit to stop people being on the streets? What is the rationale behind housing benefit? How does the idea that people would
suddenly be able to find accommodation in the private sector and they would get their whole rent paid for, maybe even costing more, make any logical sense?

Fran Targett: I find it difficult to give it logical sense. My understanding of our benefit system is that it is a safeguard for people who are facing financial difficulties. I have been in that position myself. I have been a claimant in the past of housing benefit when I was on a very low income. It is about us, as a society, helping people to have decent, affordable homes. It is important that, when we are looking at the benefit system, we start from that perspective as a basis. We have numbers of clients already who are approaching their local bureaux, who are very worried about this introduction regarding under-occupancy, because they are not able to find suitable accommodation that will be fully paid for, yet they are in real financial difficulties. They are often people who are vulnerable because of illness or disability in addition, or people with young children.

I absolutely agree with John’s first point, which was about good schemes that help us move people and help housing associations, in particular, manage their difficulties. They are often people who are vulnerable for social housing. It is about us, as a society, helping people to have decent, affordable homes. It is important that, when we are looking at the benefit system, we start from that perspective as a basis. We have numbers of clients already who are approaching their local bureaux, who are very worried about this introduction regarding under-occupancy, because they are not able to find suitable accommodation that will be fully paid for, yet they are in real financial difficulties. They are often people who are vulnerable because of illness or disability in addition, or people with young children.

Q11 Chair: Have many people, in practice, done that? If there is no pressure on them to do so, why would they?

Fran Targett: I suppose we come back to the difficulty being the dearth of smaller homes. In my view, that is something that should not be dealt with in the benefits system but in the house-build system for social housing.

Q12 Nia Griffith: I would like to pursue a couple of points. You have talked about older people who, quite often, want to move out and are happy to downsize. In relation to under-occupancy, if you have a couple of children—a boy and a girl who are 8 and 9, who will soon be aged 10, is that a justifiable under-occupancy for the sake of stability rather than them having to move from one place to another? When you have had a chance to answer that question, will you also take into account the current problem of the anomaly between the social housing sector and the private housing sector in the way that housing benefit is dealt with? Are there ever cases where under-occupancy is definitely justified, and do we have an anomaly between social housing and private housing at the moment?

Fran Targett: There are many anomalies in this system. As to the age of your children, in my experience children get older every year, so you could be under-occupied one day and not the next day or the next month. There are issues of children leaving home but returning home—students, for instance, who can go away and then they need somewhere to return to.

Q13 Guto Bebb: On that specific point, the rules allow someone to go away for 13 weeks at a time and they would not be seen as not occupying that house. The student issue is something that I come across, and people are very worried. That is a problem that is being made by some people with an agenda, but it is not factually correct.

Fran Targett: In terms of students, you are absolutely right, but there are lots of families we come across where older children leave home, their job fails or something happens and they come home again. There are lots of individual circumstances where people also need a room—for instance, separated couples with young children, where you are looking at trying to establish and retain a good relationship between children and parents. That is deemed to be under-occupancy if you are not the main carer of that child. That seems to me to be not good for the social fabric. There are other examples. We are also aware of examples of people, particularly those with illnesses or disabilities, where they sometimes, but not always, need a carer, who are very worried about the impact of this on their tenancies and lives.

Q14 Nia Griffith: One of the Government’s key points has been that the private sector has already been put under the same system. The social housing sector is not under the same system at the moment, and therefore there could be seen to be an anomaly. How would you respond to that?

Fran Targett: The first issue there is about looking at people’s circumstances—people in the social rented sector often have had allocations because they have had problems and issues. That means that we need to take some special care. I would also argue that, while there is that difference between the two sectors, some of the same arguments, potentially, persist. If we are looking at this situation throughout the whole of the rented sector, then all those issues that arise for people just become more extreme.

John Puzey: One of the clear differences between most tenants—I must be careful not to over-generalise here—in the private and social sector is that social sector tenants tend to be long-term tenants. It is their home, they have been there for a long time and their circumstances have changed. The kids have left the home and so on. That is not necessarily so in the private rented sector. I am not defending the issue. Private sector tenancies have a much higher turnover, are much more likely to be used by people who only want to use them for short periods of time, and are much less likely to have families in them, although there are some indications, because of a shortage of affordable homes, that more families are going into the private sector in Wales. That is a worry because of the turnover of people on six-month tenancies, who have children, and that can affect children’s education and so on. The social sector is a much more stable community. I guess that most of us here have probably a spare room, as we call it, for the kids coming home, the grandchildren or whatever. That is how, I guess, people see themselves in the social sector as well. They are long-term residents; it is their place. Many housing managers are raising concerns about the impact of the under-occupation penalty in the sense that it might start creating destabilisation, in that long-term residents might be forced out. That might adversely affect local communities.
Q15 Guto Bebb: I want to have clarity on this issue. The point was made, for example, that, if a couple split, then there is an issue about under-occupancy if one parent who is not the full-time carer will no longer have a spare room. Is that not exactly the same sort of way in which child benefit has always been paid, in that child benefit has always been paid to the main carer? Is that not the case?

Fran Targett: There is a difference between child benefit being paid to the main carer and the under-35s, it has for under-35s. Of all those changes last year with the rule seems to have particularly impacted on single local housing allowance and the under-35s, it has for under-35s. That is a key problem who were parents when their relationship had broken clear that that was going to capture a lot more people child, if you have shared access. The Government last one parent who is not the full-time carer will no longer have access to a benefit, it will be at the shared room rate. There are key issues there about how you can have access to a benefit system, but for the benefit system to put those one parent who is not the full-time carer will no longer have an example of an elderly client who wishes to stay, but she has one room and that takes her into this level. She is talking about choosing not to heat her home and paying the rent instead. These are the sorts of choices that our clients are talking to us about in order to remain in their own homes. The reason why she wants to stay is that she has a community of people close to her who give her support, including her daughter. She wants to stay close to that community, including her daughter. There is nowhere in that particular area that is smaller and close enough for her to retain that support. That seemed to me a very harsh approach. We have quite large numbers of people in those sorts of situations.

Alicja Zalesinska: 74% is still quite a low percentage. A demonstration project took place in Wales, and I believe that 96% of tenants said that they were prepared to pay the difference, whereas the actual result of the project at the moment is a sevenfold increase in rent arrears.

Q16 Guto Bebb: To clarify that point, therefore, it seems that you are demanding rights for certain parts of society that are not available for others. For example, when a friend of mine found himself separated, he was living in a spare room in a colleague’s house because he was not in a position to qualify for housing benefit. He could not afford a house that would not even allow him to welcome his own children. What we are in effect saying here is that the taxpayer should meet the obligations of decisions made by individuals.

Chair: That will be the final point on that subject, I am sorry, as much as I am sympathetic to it.

Fran Targett: Yes, there are unfairnesses outside the benefit system, but for the benefit system to put those absolutely in place seems to me to be wrong.

Chair: I will take a quick supplementary from Jessica and then I will call Siân James.

Q17 Jessica Morden: When the local housing allowance changes were brought in, they were not brought in retrospectively but were for new tenancies, not where you might have been in your home for many years. I want to ask you about one particular point that a constituent raised with me. He was a man of under 35, separated, and had his children for part of the time. Is it true that he, then, is in a position where he might have to go into shared accommodation and have his children to stay in shared accommodation? Do you think that that brings up child safety issues?

John Puzey: For a single under-35, going into the private rented sector, if they are claiming housing benefit, it will be at the shared room rate. There are key issues there about how you can have access to a child, if you have shared access. The Government last year increased that age from 23 to 35. It was very clear that that was going to capture a lot more people who were parents when their relationship had broken up and they had shared access. That is a key problem for under-35s. Of all those changes last year with the local housing allowance and the under-35s, it has always been difficult for people, but the under-35s rule seems to have particularly impacted on single people in Wales. As has been said, many people are struggling to find anywhere at all where that allowance enables them to live somewhere that is suitable for them.

Q18 Mrs James: We know that there is a shortage of alternative accommodation. I have been discussing this matter with our housing director in Swansea, who is seeing a big problem. Figures show that Swansea has 2,400 households, 75% of which are saying that they are going to try and meet the shortfall themselves. Do you imagine that this is going to be easy, and what are the problems that you foresee with this situation?

Fran Targett: In our view, no, it is not going to be easy, because to be eligible for housing benefit in the first place you have to be on a low income. Like the person who you have spoken to, we are seeing quite a number of our clients who are coming to us for financial advice for all sorts of reasons, such as, “I want to stay. Can we work out how I can stay?” We have an example of an elderly client who wishes to stay, but she has one room and that takes her into this level. She is talking about choosing not to heat her home and paying the rent instead. These are the sorts of choices that our clients are talking to us about in order to remain in their own homes. The reason why she wants to stay is that she has a community of people close to her who give her support, including her daughter. She wants to stay close to that community, including her daughter. There is nowhere in that particular area that is smaller and close enough for her to retain that support. That seemed to me a very harsh approach. We have quite large numbers of people in those sorts of situations.

Alicja Zalesinska: 74% is still quite a low percentage. A demonstration project took place in Wales, and I believe that 96% of tenants said that they were prepared to pay the difference, whereas the actual result of the project at the moment is a sevenfold increase in rent arrears.

Q19 Chair: Was that Torfaen?

Alicja Zalesinska: Torfaen: yes. Other social landlords are projecting two or threefold increases—that is CHC figures—in Wales. Some of those people, in the Bron Afon Association, I believe, have never had rent arrears before.

Q20 Chair: May I come in with a question? I have left myself out. One thing that concerns me is the direct payments to social housing tenants, which they are then responsible for managing. That is the problem that caused so many rent arrears in Torfaen. Am I correct in saying that?

Alicja Zalesinska: Yes.

Q21 Chair: Leaving aside the spare-room subsidy/bedroom tax, or whatever you want to call it, this is a slightly separate issue but also one that we should have concerns about. Is that your point?

Alicja Zalesinska: Once housing benefit becomes part of universal credit, it will be paid directly, so it will be connected, I suppose.
Q22 Chair: You would rather see it kept separate and paid directly to social housing landlords in most cases. Alicja Zalesinska: I would rather that people have choice. Similar to what happened in Northern Ireland, but also taking into consideration vulnerable tenants in this case.

Chair: Excellent. Thank you.

Q23 Mrs James: A certain percentage of those people, given the Government’s plans, will go out and get a job. Have you done any research or impact study on what percentage will be successful in getting a job that they can access?

John Puzey: You mean housing benefit claimants?

Mrs James: Yes.

John Puzey: An awful lot of them are already in employment because it is an in-work benefit. It is an issue about rents and wages, is it not?

Q24 Mrs James: It is not so much getting them into work but the low wage.

John Puzey: The last figures I saw showed that less than a quarter—just over 20%—of housing benefit claimants were unemployed. We are talking about a minority of people, aren’t we?

Alicja Zalesinska: From our perspective, certain groups will be hit harder, such as disabled people and lone parents. Part of the reason is that they will find it harder to get a job and to pay the shortfall because they experience certain barriers to finding employment. In Wales, for example, 23% of disabled people are employed in comparison to 70% or something of people who are not disabled. Certainly, the Equality and Human Rights Commission in Wales thinks that this is because certain barriers are experienced by that group. Lone parents face childcare issues and so on.

Mrs James: There are transport costs as well.

Q25 Jessica Morden: Will women be disproportionately hit by this? Do you see a problem?

The Government would argue, for instance, that people could take in lodgers and get money from taking in a lodger, although many of these rooms are like box rooms, from what I have heard from constituents. Do you see a problem with that?

John Puzey: A woman should answer that question.

Fran Targett: The figures that I have seen that have come from the Department for Work and Pensions suggest that women, particularly lone parents and women with children, will disproportionately be impacted by these changes. There are all sorts of issues about taking in a lodger, which are about suitability, size and, particularly for families with children, child care implications, which really should be thought through very carefully.

I have seen some very interesting data from the DWP about the difficulties that people have when they have an adult in their house who is supposed to pay towards housing costs and getting that money from them. Perhaps, when you have a lodger relationship, that might be simpler, but it is very different from being a tenant in terms of a relationship with someone. You wonder if people will also be putting themselves into a position of thinking of it in business terms. They will have to think about the impact on insurance and those sorts of things, so there are cost implications of taking in a lodger as well as the other potential implications.

John Puzey: Having said that, and it is certainly not going to mitigate the impact of this, for some people taking in a lodger might help. It will help. I guess that one of the pleas is that social landlords should be looking at their rules around that and making sure that people are able to do that if it works, it suits them and it helps, obviously.

Q26 Chair: Are they not doing that in all cases at the moment?

John Puzey: There are some byzantine rules out there in some areas that need to be addressed probably.

Q27 Chair: We are desperately thinking about recommendations—

John Puzey: There are some very good recommendations in a report produced for Welsh Tenants by a man called Inkson, who has some practical recommendations about lodgers and various other things.

Q28 Geraint Davies: Looking at this from the point of view of the social landlord, the council and others—clearly we have a situation where family housing has built two and three-bedroom housing, and, as the children grow up, the parents are being penalised for the children growing up and being forced out. There is a shortage of one-bedroom and smaller housing. How do you think that social landlords should respond? I know that, in Swansea, they are already considering knocking down bedrooms and little box rooms, and converting those into something else, so that they don’t have a situation where they suddenly have enormous numbers of empty properties and move from a situation where someone might underpay the rent to a situation where they don’t pay any rent. Obviously, in terms of managing the housing revenue account, that is an awful position. What would your advice be to housing managers?

John Puzey: A lot of thinking is going on about looking at whether existing homes can be adapted appropriately so that people can avoid the under-occupancy penalty. There are also some issues about size of the rooms as well. Potentially, we have a contradiction here in what is set down as an appropriate size for a bedroom and what is being counted by a landlord as a bedroom. I know that Welsh Tenants will be advising, as they probably should as Welsh Tenants, that you need to start measuring that bedroom. If your landlord is saying, “That’s a bedroom,” and it is under the appropriate size, you should be challenging that.

Q29 Chair: Mr Puzey, is not the guidance something like 6 square metres, and is it not the case that some social landlords are saying that is only guidance and they are not necessarily accepting it? There is an issue here that needs to be examined.

John Puzey: There is an issue here that needs to be properly examined, yes.
Q30 Chair: Do either of you know anything more about that?
Fran Targett: I am not aware of landlords behaving like that, but we have examples of clients who are being told, for instance, that their children have to live in one room that is not big enough—

Q31 Chair: Is it 6 square metres?
Fran Targett: I don’t know. We can find that out for you, I am sure.

Q32 Geraint Davies: My understanding from data we got from the House of Commons Library is that the level of under-occupancy in the social sector is around 10%, in the private rented sector it is about 15%, and in the owner-occupied sector it is about 50%—it is 49%, in fact—which is five times as much. The reason for that is that local authorities provide farm housing to people with children. The children grow up, local tenants die, they recycle that housing to another family, and of course in the owner-occupied sector that does not happen. Do you believe that this has been built up as a huge problem, whether there is not a problem of efficiency of use of housing at all, and that what is going to happen is that we are going to have a lot of homelessness and hardship without any real benefit? In the meanwhile, do you agree with me that local authorities will be pushing people from lower social rents into higher private sector rents and there won’t even be any economic benefit, let alone any social benefit?
John Puzey: That is certainly a danger. Fran has already pointed out the shortage of appropriate private rented sector accommodation. When you can find it, it will be more. We did some work comparing three-bedroom social rented accommodation to two-bed private. For example, in Cardiff, the private sector two-bedroom smaller accommodation is 42% more than the social sector one; in Swansea, the figure is 46% more; and, in Wrexham, it is 37% more. I could go on. It is more everywhere actually. If somebody did find their way into that scarce private rented accommodation, ironically, the housing benefit bill would be higher for them.

Q33 Geraint Davies: That is the static current snapshot figure. Would you not agree with me that, in the event that Swansea or elsewhere moved people now from the public sector to the private sector, because that would then generate a shortage, the differentials of 46% would grow? Obviously, rent in the private rented sector would be driven up. What is more, alongside the extra cost of housing benefit, you would have empty property in the social sector so that you would not have the rent income to do the repairs and you would get disrepair, homelessness and escalation of costs. Would you agree with that? Does that sound like economic madness?
John Puzey: I would have to think about it, but I can see the point that you are making. There are some developments in the private rented sector anyway. There is clear and growing evidence that more and more private sector landlords are moving out of the low-income market where they can. That is not always possible in some parts of Wales, but where they can they are.

Q34 Geraint Davies: Nationwide has just changed its arrangements so you cannot do buy-to-let for people on housing benefit. That won’t help.
John Puzey: The local housing allowance changes last year meant that, if you look at some social letting agencies in Wales, they are reporting that they are losing landlords. They are saying, “There is another market here. There are people who can’t afford to buy any more, but they are working couples and not on housing benefit. I haven’t got all the problems, therefore, of having to get the money off them or the local authority. I am going to have my cash-flow problems, but I will have two people working, and that is the market I want to move into now.” Even though it seems that the private rented sector is growing, it is growing in a particular direction at the moment.

Chair: You might want to raise issues with the TaxPayers’ Alliance later on, so I am going, gently, to try and move things on.

Q35 Geraint Davies: Can I ask one final point? In so far as there is a problem, would you agree that the problem is in fact with older people, as you intimated before, for those over 60, who are exempt? If we are honest about these things, we should be looking at how we incentivise older people, maybe with cash benefits of thousands of pounds—which I have some experience of doing, as it happens—to go to smaller housing as part of a move towards social care in the community, which is a much bigger strategic challenge, rather than this short-term approach of missing out the older people because they probably vote, and penalising young people, not really saving a lot of money and causing a lot of anguish.

John Puzey: I agree with that entirely. One of my first points was about incentivisation.

Chair: Let me now bring in Stephen.

Q36 Stephen Doughty: Thank you, Chair. I should clarify for the Committee that previously I chaired a coalition that involved these organisations as members and we worked on a number of these issues a year and a half ago. I did surgeries this weekend and at least half the cases that came in were about complications relating to the bedroom tax. I had one case, in particular, which was about the size of room issue, where a couple both have severe health conditions, one of whom has a severe neurological condition. They can’t sleep in the same room so they sleep in separate bedrooms. They actually have a smaller room as well in the house, which is, effectively, a box room, which you can barely fit a bed into, but they are now fearful that they are going to be hit double, both for not being able to sleep in the same room and then for having this tiny box room as well. It is a truly horrific case. They cannot cope with the amount of money that they are going to have to pay. It is these types of anomalies that I don’t think are being fully understood. It was interesting to hear the points that you were making.
I want to come back to a point that has been raised, which is a separate issue, and that is the impact of arrears on housing associations, social landlords and councils overall. The Torfaen example has been reported in the press today. I think that BBC Radio Wales has done an investigation. Indeed, I have raised this issue a number of times with Ministers and in a debate yesterday. I had an answer back from a written question, which said that no assessment is being done by the DWP on the impact of increased arrears. I was wondering, from your contacts with housing associations and others, how well prepared do you think, financially, and resilience-wise, the housing sector is to deal with increased rent arrears. I have heard anything from an increase of 1½% to 12%. I have spoken to a number of housing associations and landlords separately; some are very well prepared but worried, and others are not prepared at all. What is your sense from speaking to them about how they are going to cope and the impacts that might have?

**John Puzey:** I would agree. It is exactly that range of preparedness and concern. Everybody is very concerned because the worry is that, if arrears grow dramatically, then there will be issues about the ability of housing associations to borrow, for example. What happens if they start digging into reserves and losing that kind of cash? There are broader things that we look to housing associations to do, such as work in the community, that skills stuff and all that kind of community development that goes on around the provision of housing. The signals that we are getting are that that is an area that may suffer as well because of this overall loss. It is a real concern on a number of fronts—the ability to develop and build new homes and all that kind of community development work as well.

**Q37 Stephen Doughty:** Do you think that there is a risk of getting into a vicious cycle—I spoke to one housing association, who told me that they may have to lay off their workers who had provided advice on people switching to direct payments, repairs and everything else—where the advice is that there is then people to cope with these changes is then cut back because the housing associations find themselves in difficult circumstances?

**John Puzey:** Yes. It is unfortunate that advice has been cut back in general, quite frankly. It is not only housing association provision, of course, but we have seen a dramatic reduction in the amount of advice that Citizens Advice Bureaux and Shelter Cymru can provide in a period when the demand for that advice is growing. Yes, I agree. I think there could be quite a significant risk.

**Q38 Stephen Doughty:** Where does most of the risk lie? Is it with councils, housing associations or other social landlords, or are they all facing a similar level of risk to their finances?

**Aliça Zalesinska:** It is with everyone, including local authorities. Again, if you look at costs, Welsh Tenants did an analysis. They predicted that 50,000 people in Wales are under-occupying and that, if 10% of those people become homeless as a result of arrears, that will cost local authorities about £35 million in homelessness costs. The savings were supposed to be from the under-occupation charge, amounting to about £22 million, from what I understand. There is a negative effect on local authorities from this perspective. Private lending for housing associations is quite important. They need capital. It is like an insurance policy for private lenders to provide enough money for housing associations to build more smaller properties that we need. That is a vicious circle in this case as well.

**Fran Targett:** There are some good examples of the sorts of things that housing associations do. We have come across, for instance, housing associations that are implementing policies that will allow tenants to freeze their arrears until more affordable accommodation can be found. Housing associations are doing some good things at the moment. We have to remember, clearly, that they are going to be increasingly under pressure because of these changes, as John suggested. The question of how long they can sustain that level of holding on to debt, at a time when we also want them to do things like develop new smaller houses, is going to be quite a difficult one for them. My experience is that there is a range of readiness, and that is not to do with people’s ability. That is often to do with the size of their stock. It is about how much money they had in the first place and how easy they find it to protect themselves financially over this period.

**Q39 Guto Bebb:** On the specific issue of housing associations, community housing trusts and so forth, is there not a degree of self-interest in the comments that we are hearing from these organisations? For example, in north Wales, two large organisations took over the council stock, and the first thing they did was to increase dramatically the salaries of directors, claiming that they were now working in the private sector. The expectation now is that they have to work to try and get the money in on a monthly basis because they are not going to get the money paid immediately from the DWP. They will think, “Oh, we are a social sector. We want to be treated in a different manner.” Is there not a message coming through from very well-paid people in the public sector who are quite happy to claim that they are private sector operators when they are looking at their own salaries, but when it comes to dealing with a really difficult issue they look for support from the various quangos that usually come out and offer that support in Wales?

**Fran Targett:** I don’t either agree or disagree with your comment. What is important from my perspective is what happens to those individuals who are the tenants, and it is the individuals who are the tenants who I am interested in.

**Q40 Guto Bebb:** But the scare stories are coming from the associations. That is the point I am making.**

**Fran Targett:** For instance, in terms of the direct payments issue, what matters is that somebody’s rent is paid to their landlord. I, like John, believe that the best way to do that, in terms of people managing their own money, is for them to make a choice. If they choose direct payments, which many of our clients say they would prefer—they do not want to be classed...
as “vulnerable”; they just want to make direct payments—we believe that that is a very sensible way of people managing their own money.

Q41 Jonathan Edwards: That brings me to a question about Northern Ireland. It has been mentioned that in Northern Ireland there is a choice. You could either do the direct payment route or get your benefit and then pay onwards. The reason that they are able to do that in Northern Ireland is because the administration of benefits is devolved. Should the Welsh Government be making a similar call for those powers so that they can mitigate the impact of this policy?

Alicja Zalesinska: They should be. Part of the reason behind introducing the direct payments, for example, is to allow people to budget better. Surely, if we give them more choice to choose whether they can make a direct payment or whether the money is going to go to the landlord will help people budget more. I am not sure if there is anything else.

John Puzey: I represent a charity, so I am not going to make a political point with a large “P”, but, with a small “p”, in relation to our beneficiaries, we are very concerned about the fact that direct payments might be ended. We are very concerned about the amount of arrears that might accrue on top of everything else that is happening. I think it is going to be a real problem for people. In the sense of reflecting what we believe are the needs of our beneficiaries, it would be helpful if in Wales we had that kind of control.

Jonathan Edwards: I won’t put my former boss on the spot.

Fran Targett: Thank you, Jon.

Q42 Jonathan Edwards: There is a possibility of these payments continuing for vulnerable people. Do you think the criteria around vulnerable people are clear?

Fran Targett: I don’t think the criteria are particularly clear. As we understand it, it is guidance. Our view is that almost anybody can be vulnerable at some stage or other, including ourselves. Actually, that is why we suggest that direct payments should be a matter of the individual’s choice. Then you don’t have to prove your vulnerability, because some people who come to us are clearly vulnerable but do not want to talk about their vulnerability because of the causes of it. To me, it makes sense that, yes, we do think it is right that people manage their own money. I have to say that most people on very low incomes manage their money very well because they have to. Part of that choice should be that they can have their rent paid direct if that is what they wish.

Q43 Nia Griffith: Mr Puzey, I would like to go back to the issue of why people have housing benefit in the first place. I understand that it is very complex and I am not asking you to explain all the detail. Would you say that it is because the balance of what they get as income and their outgoings means that they are not in a position to be able to cover the rent?

John Puzey: That is absolutely right. I keep saying that all of the most recent claims are from people in work. The reason that they are eligible for housing benefit is because an assessment has been made that there is a reasonable level of rent that they are required to pay but they simply cannot afford it on their income. Therefore, the state intervenes and tops up. Don’t forget that more than half of people on housing benefit still face a shortfall in the private rented sector of the rent that the landlord requires and what they are given. So they still have to find some additional money from their own income to top that up and pay the rent. But it is absolutely that; it is that shortage.

I know you do not have time, but if we go back 30 years ago there was a switch to that kind of benefit from a direct subsidy for bricks and mortar to build more affordable homes. That was the way that low-income people were subsidised. That switch went to housing benefit and that housing benefit has chased up growing rents ever since.

Q44 Mr Williams: I want to ask some questions about discretionary housing payments, and in particular the concern that CAB Cymru has voiced about different interpretations by different local authorities. I buttress those remarks by quoting this Local Authority Good Practice Guide from the DWP. During the debate of the Welfare Reform Bill, many of us were told that £25 million would be available to deal with some of the problems faced by disabled constituents and £5 million for those who are foster carers. Closer scrutiny of this document suggests that it is incredibly vague. Jonathan Edwards asked about definitions earlier on about the vulnerable. There seem to be slightly divergent definitions as to what constitutes help for the disabled. The document says: “The expectation is that this money”—the £25 million for the disabled constituents and the £5 million for foster parents—“will be prioritised for these groups.” The emphasis is on “expectation”. Is it a real concern that different local authorities will have a different interpretation?

In one sense, Guto Bebb was right when he said that different information was coming down to our constituents via the housing associations. Surely, there is a lack of information from the top, from the DWP, which is the problem. I know it is a housing discretionary payment. Is there too much discretion? From my interpretation, some of our constituents are going to suffer greatly as a consequence.

Fran Targett: There are two issues for us around this. First of all, yes, they are discretionary, and therefore they are at the discretion, as I understand it, of the local authority in total. There is a nominal—

Q45 Mr Williams: During the passage of the Welfare Reform Bill, when the Government were quite clear that this £25 million and this £5 million were there to solve a problem—I am going to ask you next about the scale of that money and how big a gap that will address—that was not the case, was it? The figure of £25 million is peanuts with regard to the size of the problem, and it is meaningless if there is no compulsion on local authorities to spend it beyond the “expectation”.

Fran Targett: To be fair to colleagues in local authorities, they are wrestling with this. In general
discussions that we have been having with them across Wales about how they are going to interpret discretionary housing payments, they are likely to prioritise those very people with disabilities, who have had alterations to their houses, foster carers and people with young children. In practice, most of them will be prioritising in those areas, but they will have difficult decisions to make, they believe, because they do not think that there will be sufficient money in each of the local areas to meet all the potential need for the under-occupation, the discretionary payments and the rest. Of course, there is a whole raft of things that are happening around housing benefit that are beyond just the two issues that we are looking at today.

Q46 Mr Williams: Let us take one example, for instance, on the issue of adaptations. We can all think of those constituents whose homes we have visited with a ramp outside, a stair lift, a washroom and a bathroom that has been built at the back because the constituent is no longer able to access the rooms upstairs. What is the definition that local authorities are going to use? Is it purely the issue of whether a carer is going to be staying there permanently working with that constituent all the time? I am getting a lot of confusion from constituents about the mixed messages that have been sent out in part by housing associations and in part by some local authorities grappling with difficult financial challenges, but also from the DWP and, sadly, I have to say, from Ministers here as well.

Fran Targett: From our perspective, we have been looking at it from the clients’ view. On that basis, we have been talking to local authorities, and they are grappling with the fact that there are proposals as to whom they should prioritise. My understanding is, from what I have heard, that those are the people they are going to prioritise. They are, though, worried about whether there is sufficient money in their local budget to make payments to all of the people who, potentially, are in those difficult situations, and that is their problem.

Q47 Mr Williams: I have two very quick questions. I would like your comments on the scale of the budget—I don’t want to put words in your mouth, but obviously it is inadequate—and also the very fact that different local authorities across Wales could have different interpretations. What kind of problems do you envisage that creating?

Fran Targett: As with anything, the scale—you put words in my mouth, but I don’t want to comment further. In terms of the differentials, the minute you make something discretionary, there is a danger that there will be differences across different parts of Wales. That is a fact of any sort of discretionary payment. It has to be.

John Pucey: On the issue of scale, just over £6 million has been made available in the financial year. If we can encourage local authorities to do their 2.5% on top of that, we can get it up to £15 million. It is still nowhere near enough, but it would certainly make more of an impact if local authorities in Wales could be encouraged to top that up, as they can do, if they desire.

Chair: We are heavily overrunning at the moment. Can I thank all three of you very much for coming in and giving this evidence? We do appreciate it.

Examination of Witness

Witness: Jonathan Isaby, Political Director, The TaxPayers’ Alliance, gave evidence.

Chair: Thank you, Mr Isaby, for coming along here this afternoon. Select Committees are used to inviting pressure groups in. Generally, they have one viewpoint; I have decided that it is time to start hearing from pressure groups with a different viewpoint that may or may not be shared by members of the Committee, but we will find out in good time. May I begin with Stephen Doughty?

Q48 Stephen Doughty: Before I ask my first question, could you clarify who the TaxPayers’ Alliance actually represents, because I do not know of any taxpayers who have been consulted by you. I wondered if you could explain how you come to your positions and on behalf of whom you speak.

Jonathan Isaby: We are an organisation with 75,000 supporters across the United Kingdom, including a number in Wales, obviously.

Q49 Stephen Doughty: How many members do you have in Wales?

Jonathan Isaby: I don’t know that figure off the top of my head, but it is a broad, representative sample of the population. We encourage people to support us if they back our campaign, and an increasing number are, which is always good to know.

Q50 Stephen Doughty: This is a pretty straightforward question. Why do you think that the Government’s plans for housing benefit reform are necessary?

Jonathan Isaby: The housing benefit budget, and you mentioned this to your previous witnesses, has gone up—it has pretty much doubled—from £11 billion in 1999–2000 through to about £23 billion today. If that figure continues to rise at that level, it is utterly unsustainable; it is getting out of control. I am afraid that the Government have to find ways of saving money. The Government cannot keep spending money at the rate they are at the moment because that is not the way to restore the country to growth, which, goodness knows, we would like to see. What the Government are doing is finding a way of saving some money and doing it in a way that we think is reasonable. I am sure you have detailed questions on the substance of it, but the issue that a lot of you are talking about is that of under-occupancy. Earlier you called it “the bedroom tax”. It is not a tax, is it? It is a change in a benefit. A tax is when the Government
take money that you have earned and you don’t get it, whereas this is a change to a welfare benefit that is using taxpayers’ money.

Chair: That is a great answer, but—I am sorry—perhaps I could just speed things along.

Q51 Stephen Doughty: Why has the increase in housing benefit claims occurred, in your view?

Jonathan Isaby: It is partly because of house prices getting completely out of control over the last decade or so. The reason for that in our view is that there has not been enough house building going on. Demand and supply are not matching each other. We would certainly want to see—this was also supported by the Institute of Economic Affairs in its written evidence to the Committee—massive liberalisation of the planning laws. Make the system less bureaucratic and give more opportunities for house building in order that you can see more supply of housing. Part of the problem is this. I suspect a lot of you are home owners; I am not. People who are home owners, if that happens, would see the value of their house probably fall as the market, effectively, corrects itself because of how expensive it is at the moment. That is what needs to be done.

Q52 Nia Griffith: Just to come in on that, what evidence do you have that there have been a lot of social housing projects and affordable housing projects turned down in Wales because there has not been sufficient land available for development? My experience is that there are quite a lot of housing projects that are on stock because developers cannot sell at the moment. Jonathan Isaby: I do not have detailed evidence of the specific situation in Wales that you referred to, but in the main—it is a broad issue—if it was easier for builders to start building those houses in the first place, if you did not have all the bureaucracy issues in the first place, the issue of section 106 agreements, which often cause problems, those builders would be getting houses built.

Chair: That is excellent. Thank you very much.

Q53 Jonathan Edwards: In relation to saving costs—the Minister admitted this on the Floor of the House a few weeks ago in a debate we had on this issue—there is a three-part strategy, which comprises the capping of benefits, the annual up-rating by 1%, and now the under-occupancy charge. How much do you estimate the under-occupancy charge is going to save? Bearing in mind that the OBR revised its projections for housing benefit in the autumn statement, which will go up substantially over the next three or four years despite these policy initiatives, would not a more progressive manner of dealing with the housing benefit costs be to introduce rent caps, directly controlled rents, directly controlling the benefit itself? Jonathan Isaby: There are a number of points there. You are right to say that, over the course of the next two or three years, the actual level of housing benefit will stay around stable in terms of the amount of money that is spent on it. It is not a brutal slashing of the total bill. It is remaining pretty much where it is. I think I am right in saying that, in Wales, the average claimant will lose £12 per week because of the under-occupancy issues, which is the lowest cash amount of any region in the UK. You talk about rent caps. Rent caps would be completely the wrong thing to do. They would have completely, I suppose, unintended consequences, which would be that they result in stagnation of the market because, if you are renting somewhere that is worth more than you are paying, you are unlikely to move on. If you look at what has happened in America, where there are rent caps in cities like New York, for example, it has not had a vacancy rate above 5% since world war two, whereas in cities where you don’t have rent controls there are more vacancies. I have got some figures here relating to America, and I am happy to share them with the Committee if you are interested.

Chair: Yes. Thank you.

Q54 Jonathan Edwards: If you are an organisation that is primarily concerned with tax liabilities, and housing benefit is now a major element in Government expenditure, that is an intervention in the market. Why would you be opposed to that? Jonathan Isaby: It is an intervention in the market which would have unintended consequences.

Q55 Nia Griffith: Would you be opposed to intervening in the market?

Jonathan Isaby: My instinct and the instinct of the TaxPayers’ Alliance is to intervene less, yes.

Q56 Chair: Can I just jump in with a question which I don’t think anyone else is going to ask? You heard from the previous witnesses that one of the problems is likely to be the fact that recipients of housing benefit will get a direct payment and some may find difficulty in passing that on. What would your view be on that, because it would not have any effect, I would not have thought, on Government spending levels if the Government continued to provide that payment directly to the social housing landlord rather than giving it to the tenant and expecting them to budget it back out again?

Jonathan Isaby: Our instinct is that the payment of the benefit should be made to the recipient and the recipient will then pay the landlord in due course.

Q57 Chair: We heard evidence that that could have a cost to Government in that it could increase rent arrears because so many tenants may find difficulty in budgeting for the money. Would there not be a sound financial, fiscal argument for saying, “Let’s pay the social landlord directly, whatever the amount is, and leave the housing tenant out of the equation”? Jonathan Isaby: No, I disagree. It is an important point that the people in receipt of those benefits budget for themselves and are able to learn the disciplines of handling a monthly budget, not least, surely, because we would all hope that people on housing benefit and other benefits and so on, in due course, will earn enough so that they do not need to receive that benefit and they will, for themselves, have to run their monthly budget. To suggest that, by...
default, it should all go straight to landlords and bypass the person in receipt of the benefit is probably quite patronising.

Chair: I can see that many members want to jump in, but I will call Stephen first.

Q58 Stephen Doughty: What do you make of the pilot that has been going on in Torfaen, which has seen rent arrears rise sevenfold to £140,000 in the space of seven months? Are you not worried about that at all?

Jonathan Isaby: That is a concern. I don’t know the details of what has happened in Torfaen precisely, but if your starting point is that you are always going to bypass the recipient and give it straight to the landlord, it gives a sense to the landlord that this is just almost a bribe from the state, and the individual who is the claimant never sees that money and does not have that opportunity to be handling their own finances themselves, which I think people ought to be doing.

Q59 Stephen Doughty: A bung is usually a cipher for a bribe. Is that what you are suggesting?

Jonathan Isaby: No. I did not mean it in that sense. I meant it as handing money over.

Stephen Doughty: That is a useful clarification.

Chair: Thank you. Geraint, maybe you might want to ask your other question.

Q60 Geraint Davies: Bung it over here—that’s right. A constituent came to me—I raised this with the Prime Minister at Question Time—who has got chronic medical problems, and after you take out all of his utility costs, including rent, he has only got £20 left per week for clothing and food. He said to me that after the empty bedroom tax comes in he will have £14 a week to live on—£2 a day. Would you expect him to run into problems and difficulties?

Jonathan Isaby: I said that the default position should be that it should go straight to the individual. Clearly there are going to be some cases where that individual—

Q61 Geraint Davies: Should they have the choice of paying the rent or eating? It is a reasonable choice to give someone, but if it was me, I would eat.

Jonathan Isaby: The other point, of course, is that your constituent in turn is not necessarily forced into any position in terms of the change in the under-occupancy benefit, because, as was discussed earlier, there are other options open to people, not least the issue of taking in a lodger. The bottom line on this whole issue about under-occupancy is this. I think that people in receipt of housing benefit should not be immune from the same kinds of decisions made by other people who are not in receipt of housing benefit about how they live their lives. I would love to have a spare empty bedroom at home in the flat that I rent, but I can’t afford that. I am afraid that everyone can’t—

Q62 Geraint Davies: Where do you live, as a matter of interest, as you have brought your personal life into this?

Chair: Okay; order, order.

Geraint Davies: Obviously we are talking about people in very difficult places. Their choice may be to take in a lodger who turns out to be a heroin addict, or a dealer or something. I presume that you live in London. What is the rent you pay, as you started talking about this stuff?

Chair: Order. I am not sure that that is an acceptable position. That is misrepresenting me.

Geraint Davies: This witness has suggested that he is in a terrible position. I am just interested in what rent he pays.

Jonathan Isaby: I did not say that I was in a terrible position. That is misrepresenting me.

Chair: Order, order.

Q63 Geraint Davies: I will move on to a different question. Chair: This is getting slightly out of hand now.

Geraint Davies: Fair enough.

Chair: Let us stick to questions about the issue at hand.

Geraint Davies: Okay. Can I ask you this? I think you have stated in your evidence that 46% of housing rented from local authorities in Wales is under-occupied. Do you have the figures to hand for the private rented sector and the owner-occupied sector in Wales? I mentioned earlier on that, overall, I am told by the Library, the under-occupancy level in social housing is about 10%, 15% in private rented and 50% or 49% in owner-occupied. In other words, it is much bigger in the owner-occupied sector.

Jonathan Isaby: The 46% is among those of working age. That is not the total. If we did not make that clear in the evidence, I apologise. The other figures you got from the House of Commons Library—I would not doubt the House of Commons Library, of course.

Q64 Chair: What Mr Davis is saying is that people who own their own homes, by the same token, are under-occupying in much greater numbers. What is your view on that?

Geraint Davies: Yes. In other words, there is an endemic inefficiency in terms of occupancy rates in the social housing sector, because they are turned over as the tenants die. Therefore, the level of under-occupancy is much less. Do you think there is such a big problem that we should be going at it by cutting everybody’s income and forcing them to leave their homes? Do you think that is a reasonable approach? Would it not be better just to give them, perhaps, a cash incentive if they would agree to go to a smaller house?
Jonathan Isaby: I am not sure that bribing people with taxpayers’ money to go and live somewhere else is the answer.

Q65 Geraint Davies: But you would get the money back, wouldn’t you?
Chair: Order. I think we have to move on it a bit.
Jonathan Isaby: There is the issue that there are a number of houses under-occupied by people in receipt of housing benefit. The benefits bill is massive. The equivalent of £1 in every £7 taken in income tax across the UK is spent on this one specific benefit.

Q66 Nia Griffith: Would you accept that we have a large three-bedroom housing stock in the social sector in Wales? That is basically what it is. It is mostly three-bedroomed. Therefore, perhaps the people who are in those homes are there because they have children aged 8 and 9, a boy and a girl, and very shortly they will be entitled to three bedrooms, but in the meantime they are only entitled to two bedrooms. So a couple with two children under 10 are only entitled to two bedrooms. What would you suggest we do with them, because, effectively, what is going to happen is that they will not have their rent paid in full—rent that has been calculated that they, on their low income, are not able to cover from the income they have? Are you suggesting that, somehow, we magic them into a three-bedroom place? What solutions do you propose as to how we actually deal with this problem on the ground?
Jonathan Isaby: Individual claimants have got to make decisions about their own circumstances. We are not suggesting that people should be forced out of homes. They have to make a decision in terms of their circumstances as to what they can afford for their family at that moment, in the same way that millions of people across the UK have to do who are not in receipt of benefits for their own families. They have to make a judgment.

Q67 Nia Griffith: Your interest, quite appropriately, is in the taxpayers’ money. If they go into two-bedroom private accommodation that costs more, we, as the taxpayer will cover that housing cost for them, yet we have put them into that circumstance ourselves, instead of leaving them in the cheaper three-bedroom social housing category.
Jonathan Isaby: If you have people moving from one sector to the other, then there is going to be an equal and opposite effect. There are lots of people in private rented accommodation at the moment on the waiting list for social housing.

Q68 Nia Griffith: But many of them may also not qualify for three bedrooms because families are much smaller than they used to be. There may be a shortage of people who actually qualify for the three-bedroomed house, as was pointed out by Geraint Davies in the last session.
Jonathan Isaby: I see, from reading the written evidence from all the organisations that have submitted it to you, that there are lots of “what ifs”, “buts”, “maybes” and examples of individual cases where they are saying that this is the wrong thing to do. The starting point has to be that what the Government are doing is the right thing. There will be exceptions to the rule and those circumstances have to be looked at individually. Let us not forget that the Government are increasing the level of the budget for discretionary housing payments for those cases that are the anomalies.

Q69 Nia Griffith: Can you imagine that we have dozens of families that do not qualify for the three bedrooms? Suppose they all managed to find themselves somewhere in the private sector, which is two-bedroomed. Landlords will do all sorts of things to houses of multiple occupation to make them the right shape and size. They all move, and they have rents then that are higher than what they were paying in the social housing sector, where rents have been generally lower than those in the private sector. How will that help the Government get the deficit down through these cuts in housing benefit?
Jonathan Isaby: That comes back to the point I made earlier on about the supply and demand of housing, meaning that the cost of housing is artificially high right now. I would like to see lots of house building going on. That would involve Members of Parliament, Ministers and so on changing planning laws and massively liberalising the system, thereby causing a correction.
Chair: A final question.

Q70 Nia Griffith: So you want lots of public investment in house-building programmes.
Jonathan Isaby: No. I think that private developers would do it if the law was changed to make it easier for them to get building.

Q71 Nia Griffith: Why aren’t they doing it now?
Jonathan Isaby: Because there are huge amounts of bureaucracy in the planning system. There is the issue of section 106s, which deter people from doing it, and all kinds of other restrictions, from people opposed to building all over the place.

Q72 Nia Griffith: That did not stop them in the boom years from building. Can we get back to the statement that you made, which says that housing benefit “inflates rental prices and puts money in the pockets of landlords”, yet you are still adamantly opposed to any way of controlling rents.
Jonathan Isaby: Yes. I am.

Q73 Nia Griffith: How would you try to get that benefit budget down? Imagine now that all of those families have moved from social housing into the private sector where the rents are higher, but they are entitled to have their rent paid because they are only two-bedroom properties. How are you going to save money?
Chair: I am going to make that the last question on this particular section.

Jonathan Isaby: The mid-term issue is getting those houses built so there is a correction. Do you accept that prices of houses are currently artificially high?
Chair: Don’t worry about whether Nia Griffith accepts that or not. Thank you very much for that answer, Mr Isaby. Our batting order has gone out of the window, but I am looking at Mark Williams next.

Q74 Mr Williams: Thank you. You mentioned anomalies that the Government are seeking to address. By that, you were referring to the groups that the Government are trying to assist—disabled tenants and those who share the costs of children and foster carers. Do you agree that those groups will be disproportionately affected by these proposals? More generally, though I hesitate to use the famous expression of, “We’re all in it together” in terms of people’s contribution to the deficit reduction strategy, none the less, notwithstanding that, should there be exemptions for the particular groups that I have mentioned?

Jonathan Isaby: The DWP published a fact sheet, which I am sure you have all seen, about under-occupation and going through all the various exemptions that are already in place. The Government are clearly aware of issues surrounding disabled people and foster carers. Hence, £30 million of the £155 million in the discretionary housing payments budget is specifically targeted at people—

Q75 Mr Williams: Do you think there are weaknesses in that? I have heard Ministers say that as well—it is targeted. At the end of the day, though, it is a discretionary payment, and local authorities will do their best. One point is the size of the money available, and the second is their prerogative may or may not be to target some of the groups that some of us would like to target.

Jonathan Isaby: It is the responsibility of those local authorities to make those decisions. I do not think that it would be practical or sensible to say that there should be an automatic exemption for those groups because it is quite a large group, and the individuals involved will all have different needs and concerns. To lump them all in as one group would be the wrong route to go down.

Q76 Mr Williams: But you are broadly supporting what the Government have said in terms of those particular groups.

Jonathan Isaby: Yes. The Government have listed a whole number of groups, which includes bereaved families, students, armed forces personnel and pensioners, of course, importantly, who are covered by that.

Q77 Mr Williams: You mentioned pensioners. Geraint Davies made the point earlier on that the target group, if there was a target group, to deal with the surplus of bedrooms would be the older people—a retired couple who are living in a house with three bedrooms, needing one, guests/visitors come to stay and they need another, but still have a spare room. Do you think the Government were right to exempt people of pensionable age?

Jonathan Isaby: The Government have clearly taken the view that pensioners are a group that are more vulnerable than those of working age and they have put that in there. We need to see how this works in practice. It is something that could be looked at further down the line, possibly, but I would not at this stage be pushing for it.

Chair: We are about to run out of time. I know two people would like to come in. I have not called Jessica, I don’t think, in this section.

Jessica Morden: Are we at the end of the session?

Chair: We pretty well are, although the batting order has gone to pot.

Geraint Davies: I just want to ask a rider on Mark’s question, if I may.

Jessica Morden: Go on.

Chair: A very quick one.

Q78 Geraint Davies: Just to be clear, you are the TaxPayers’ Alliance and you stand up for taxpayers’ money. As has been said, the key issue of under-occupancy is among older people. Don’t you think that as the TaxPayers’ Alliance it would be a good idea to confront the problem of people over 60 who are under-occupying and use whatever means you think are necessary—my view is to use incentives; I know you don’t agree—basically to cut the housing benefit and to ease them into smaller housing? Surely, that must be your view.

Jonathan Isaby: I am not going to try and suggest that we should be targeting pensioners here and now, even though—

Q79 Geraint Davies: Why?

Jonathan Isaby: As I said, pensioners are clearly a far more vulnerable group. A lot of pensioners will, of their own volition, perhaps want to move to smaller properties because they cannot manage such a big garden or so many rooms and so on as they get older. You are trying to—

Geraint Davies: But—

Chair: Order. That is an answer. Thank you very much for that.

Geraint Davies: Poverty.

Q80 Jessica Morden: Finally, is not the problem with all of this that this is only going to hit the Government’s own saving targets if everyone stays put and ends up paying more, because all the other options that we have heard in the evidence before now, whether it is moving into more expensive private rented accommodation or whether it is forcing people into debt, who then become homeless and councils end up paying for expensive B and B accommodation, end up costing the taxpayer more in the long run? So how can it possibly be the right thing to do?

Jonathan Isaby: Look, I think it is the right thing to do because there are millions of people who, increasingly, are seeing them subsidising a life for others—for example, having a spare bedroom—that they cannot afford for themselves. You risk the cohesiveness of the welfare system if increasing numbers of people resent the way in which it is working.

Q81 Jessica Morden: But all this is pointing to the fact that it is going to end up costing more in the long run. The Government’s logic for it is to save money,
but all the other options are going to be picked up by the taxpayer in some other way along the line.

Jonathan Isaby: In the long run, I want to see the housing and planning laws liberalised so that more houses are built, which will reduce the cost of housing because, at the moment, it is massively over-inflated. That is one of the reasons why the bill is so big.

Q82 Chair: Can I clarify Ms Morden’s point? May I try and put this another way? Let’s be honest about it—you and I probably have the same viewpoint on this; it’s no secret. If these changes were to increase costs on the taxpayer and costs to the Government, albeit that is not what is intended—but if they were—how would the TaxPayers’ Alliance feel about it then?

Jonathan Isaby: That would clearly be a concern because we need to see the deficit reducing. There are all kinds of things that the Government should be doing to reduce that and to reduce Government spending overall—if only they listened to the TaxPayers’ Alliance as keenly and politely as you have to us today.

Chair: Thank you. We have really overshot this one. I do appreciate that. It has been highly exciting for the Committee to meet with the TaxPayers’ Alliance and I look forward to seeing you in front of many more Select Committees. Thank you.
Monday 15 April 2013

Members present:
David T. C. Davies (Chair)
Guto Bebb
Glyn Davies
Geraint Davies
Stephen Doughty
Jonathan Edwards

Nia Griffith
Simon Hart
Jessica Morden
Mr Mark Williams

Examination of Witnesses

Witnesses: Carl Sargeant AM, Minister for Housing and Regeneration, Tamsin Stirling, Special Adviser, 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, gave evidence.

Q83 Chair: Order. Good morning. I thank the panel for coming along this morning, especially the Minister, who regularly gives up his time to appear before this Committee. We are very grateful to him for that.

Carl Sargeant: It is my pleasure.

Chair: If it is okay with you, Minister, I am going to start off now, as I know that you are probably pressed for time and we have quite a few questions to get through. Obviously, anyone is free to answer, but I have the first question. You will be aware that housing benefit has doubled over the last decade, and we would be interested to know why this increase has occurred. Do you believe that the Government is right to be doing something, if not what it is currently doing, to try to tackle that and bring it under control?

Carl Sargeant: Good morning, Chair. Thank you for the opportunity to meet with the committee. Three weeks into my new portfolio is always an exciting time to appear before a committee; nevertheless, we will give it a go.

You raise an interesting question, Chair. To answer the first part, I will not offer too much of an opinion on the detail, as it is a non-devolved function and it would not be appropriate for me, as a Minister in Westminster, to make a view on the determination of Westminster policy. However, more importantly to me is the impact of welfare reform and housing benefit on Wales and other devolved nations; that interests me.

What we are seeking to do, as the Welsh Government, is protect the environment of people who are in receipt of housing benefit. You are quite right; it is a significant number. However, to expel the myth, that this is an unemployment-based benefit is completely untrue. This is a balance between people's ability to function, whether they are working or unemployed, in terms of qualifying for housing benefit. We know that, historically, Wales has a significant number of claimants based upon historical issues around benefit claims, with which many in this room will be familiar, in terms of industrial heritage, and why many people are now on increased benefits in Wales, as opposed to other parts of the country.

Q84 Chair: Thank you for that. Do you agree that the Government is within its rights to be doing something to tackle this problem, or would you prefer not to comment at all on a Westminster policy?

Carl Sargeant: Absolutely. That is a good question, not a loaded question, Chair, believe me. It is

Q85 Jonathan Edwards: The main reason why the housing benefit bill has increased so rapidly is inflation in private sector rents. The question that I want to ask you, Minister, is: what powers does the Welsh Government have to introduce a system of capping rents, as they do in Ireland, enabling the Government to have full control of the housing benefit bill?

Carl Sargeant: The Member is absolutely right. The decontrol of rents occurred in January 1989 under the Conservative Government of the time. My belief is that that had an effect in opening the rental market to market forces and decontrol of the rental policy that we can apply in Wales. If the Welsh Government had the ability to make these decisions, that would be welcome; however, I am reluctant to take and use powers without the necessary funding being in place for that to be compliant or useful. I do not want to see the transfer of a function from Westminster in any form—I am being careful not to be overtly political about policy-making decisions, but we have seen this with some transfers—without funding alongside that.

I would resist making rent policy without having the power to control the other elements of this. With welfare reform, we are seeing change with no financing to support it and the consequences of that for a devolved function. So, we have to be careful about what we ask for and what control mechanism is in place.

Chair: We are picking on the Minister a bit here, so if other people want to come in, that would be great.

Q86 Geraint Davies: The Chair mentioned that the cost of housing benefit doubled between 1999–2000 and 2009–10. You may know that 70% of that increase was in the private sector, namely due to private sector rents and volume. Do you think that part of the solution is to increase the amount of public sector housing to reduce the average housing benefit, to provide jobs and to lower rents?

Carl Sargeant: Absolutely. That is a good question, not a loaded question, Chair, believe me. It is
absolutely the right thing. As a Minister, newly in post, I want to bring forward a national housing scheme that we can deliver in Wales, but we will have to achieve that with less money coming into the Welsh block, capital budgets being reduced and revenue budgets also being reduced this year. Those challenges are extremely difficult for me, but I believe that it is the right thing to do and that it will stimulate the construction industry as well.

Tamsin Stirling: You have referred to housing supply, and providing new housing contributes to our two main aims around jobs, growth and tackling poverty, particularly in social rented housing, where we are controlling the rent levels and have a clear policy. We are extremely challenged in doing that. Capital budgets have been reduced by 40%. The Welsh Government has prioritised housing, and we have just put in an extra £29 million in the last six weeks of the last financial year to support additional affordable and social housing. We are working comprehensively with the sector, mainly housing associations, but local authorities as well, to develop what we are calling innovative forms of financing, which are basically about working with less capital money than we are able to invest. However, inevitably, if you put in a lower grant rate because you have less money, rents will end up being higher. There will always be an interaction between our dealing with lower capital and revenue budgets and the rents that come out at the end. Therefore, given our employment scenario, which is not happy, given the levels of unemployment and low-income employment, there will be an impact on housing benefit bills. So, the two things are totally interconnected. We are trying, but there will be rent-levelling implications.

Q87 Glyn Davies: I want to come in on that point and put some questions to the Minister. The Assembly has been here since 1999 and, at times, there has been quite a lot of money and rapidly increasing budgets, but we have seen no commitment to housing, or no increased commitment to building more social housing; what there has been has been limited. Has the policy changed now, in the sense that, if the Welsh Government had the freedom to build more houses, it would build a lot more social housing?

Carl Sargeant: If I may, Chair, to be fair to the Member, I do not recognise his comments on that: it is purely an anecdotal statement that you cannot support to suggest that Welsh Government has not invested in social housing grants and housing in and around Wales. We are in a very different place from where we were when we started the Assembly in 1999. What has happened in recent months, and certainly in the past two years with the credit crunch, means that there has been significant change in the fiscal policy by the UK Government. We have £1.7 billion less in public spend coming into the Welsh economy as a consequence. As I said earlier on, I would like to make a commitment to increase housing spend, and I will explore all that I can do with my department. However, I cannot commit to spending additional funds on something, housing or otherwise, when we just do not have the money from the UK Government.

Q88 Chair: Minister, have there been any reductions in the block grant to the National Assembly in the past three years?

Carl Sargeant: Overall, yes there have been. I think that it is £1.7 billion. I think that I am being generous, actually, as it might be £2.1 billion. I will confer and get back to you.

Chair: Okay. We would be interested in seeing the actual figure, because my understanding is that the block grant had been maintained at roughly the same level.

Carl Sargeant: No.

Q89 Stephen Doughty: Just briefly on that point, we can debate the figures for reductions, but there has also been a transfer of fiscal liability to the Welsh Government as a result of a number of the changes. Do you have any estimates for the additional pressures being caused as a result of UK Government policies, where money has not been provided, but liability has been transferred?

Carl Sargeant: We saw one example recently in the council tax benefits, where there is a deficit of around £20 million, which the Welsh Government decided to backfill in terms of the support for council tax benefit claimants across Wales. That cannot continue; if there is a reduction in funding, there has to be a consequence for public service delivery. We are trying to be innovative in how we deliver things now, and, across all the departments, it would be fair to say that we are looking at welfare reform, how it operates and what the consequences will be, and we will mitigate as best we can, but that will not be to fulfil the commitment to what I believe is a non-devolved function.

Chair: We had better move on, I think. Guto, do you want to ask something?

Q90 Guto Bebb: It seems that about half of the people who receive housing benefit in Wales live in houses that are under-occupied—that is, there are spare bedrooms—and that is more than anywhere else in Britain. Have you any suggestions for why the situation is worse in Wales? What has been done over the years to respond to that problem, or is it a problem that has not received a lot of attention as it does not create any kind of financial threat?

Carl Sargeant: Thank you for your question this morning. I think that, for the under-occupancy rule, the Department for Work and Pensions issued figures showing that around 40,000 households in Wales will be affected by £1 per week, on average. We create policies, whatever the Government and wherever you are. You will not be surprised to hear that I do not agree with this policy on under-occupancy, as I think that there are fundamental problems moving forward. There is a fiscal issue to this, and though I accept that the UK Government is trying to achieve something by changing how the finance operates, the moral argument for some of this process is complete madness. Potentially, there is an issue for social policy, in that it is generally thought that a family will be able to grow into a property, into a home. So, you would allocate a property where, eventually, children would come along and the family would not have to
move home—supposedly, the most stressful thing in life is moving home, even more so than a heart attack. Either way, it sounds pretty stressful to me. What I am saying is that the fiscal argument and the social argument are very different. We have many single parents across the UK, including in Wales, and families will sometimes come together on access rights about home visits at the weekend. Single parents now either fall foul of the under-occupancy rule, which means that they have to move to a property that is more suitable under the rule structure, or they do not see their offspring. That is fundamentally wrong. We are trying to create a family atmosphere and keep families together and this policy flies in the face of that. That is just one example where the under-occupancy process has an impact—based purely on financial modelling that does not understand fully the consequences to the social economy.

Q91 Guto Bebb: There are two points that come out of that. First, you argue that there is a moral argument, but the fact of the matter is that the rules that are being imposed on the social sector have been in place for the past 10 years and more. So, the moral argument is the same, but there was not the same siren call for change when the change came in for those people renting in the private sector. In addition, there is a question as to whether there has been an effort to utilise the housing stock in Wales properly. The Welsh Tenants Federation made it very clear that it believes that there is up to a 10% throughput of people within the social housing sector in Wales on a regular basis, yet only around 8% of those are inter-transfers. So, there is a question as to whether the housing stock that we have is being used properly. Is the debate here not really about whether you use a carrot or a stick? Is that not the issue of the debate here? People think that we need to make better use of the housing stock because it is not acceptable that people are living in overcrowded housing and yet there are plenty of under-occupied houses in Wales. There is a need to make better use of our housing stock, which is in short supply. Is this not what the policy is really trying to achieve? Carl Sargeant: Again, I do not agree with some of your arguments. There are processes through which this could be applied. There is already a process that is offered to people who want to make a change. I will ask the Welsh Local Government Association to comment on some of the detail as to how it operates in a second, but the process in terms of the ability to do that already exists if families wish to move between properties. I do not know how anyone can balance this argument when it comes to Mrs Jones, who has lived in a two-bedroomed property all her life and brought her family up there, but who has just lost her husband et cetera. The UK Government is now saying to her, “Either you move house, or we will take support from you.” This person may have lived in that community for 70 years. It is wholly inappropriate that you might be moving a pensioner or a family out of a property.

Q92 Guto Bebb: The point there is that if Mrs Jones was renting in the private sector, that would be the exact position. So, in effect, you are saying that there should be protection in some parts of the rented sector, but not in others. Chair: I know that virtually everyone wants to speak on this point. Perhaps I could work my way along from Ms Alleyne.

Naomi Alleyne: Thank you. Our members are fully supportive of the Minister’s concerns and share them, and the debates and discussions that we have had within local government are certainly in line with that. Local authorities, over many years, have undertaken a range of work to try to encourage people to downsize, potentially, or to look at swaps, and there are exchange registers. So, a lot of work is already ongoing to support the work to address under-occupancy. We also support the need to make the best use of social housing in Wales. However, we are also concerned that some of this might lead to false economy over time, in terms of the cost and the emotional impact of people moving. For example, will pupils need to change schools? There are issues around support networks. We are very concerned about the impact of this on rural communities. So, local authorities have been undertaking a lot of work over the past few years to address the issue of under-occupancy. However, there is a longer term need in terms of an increase in the amount of social housing available in Wales.

Sue Finch: First, I would like to pass on apologies from Councillor Dyfed Edwards, who has been affected by radar not working in north Wales. The crucial factor in this issue is the mismatch between the social housing that has been developed historically in Wales and the demand for that social housing. Demographic changes mean that there is a fundamental mismatch between the people coming in who need social housing and the stock that we have, which was largely developed in the 1940s, 1950s, 1960s and 1970s for families with children. So, the stock is largely made up of three-bedroomed houses, and we have a fundamental mismatch with the households coming on to waiting lists, which, generally speaking, are small households. Local authorities have to abide by certain criteria in terms of allocating property. The criteria are set down in legislation. Therefore, authorities are often forced to under-occupy a property in order to meet their obligations to people on the waiting list who are in housing need. So, there is a fundamental mismatch between the properties and the housing need.

Q93 Nia Griffith: One of the arguments put forward by the Government is that if we move people out of the three-bedroomed houses that they are in because they are under-occupying, we could then put in people who would qualify. However, I understand that only about 8% of people on benefits have more than two children. So, would you suggest—as you have just hinted in your last answer—that a lot of the people on the waiting list would not qualify either; for example, families that consist of two adults and two children under 10 or two adults and two children under 16 of the same sex? Do you have lots of families on waiting lists who would qualify for three-bedroomed homes?
Sue Finch: I think, generally, the pattern is that there is going to be a lack of demand for three-bedroomed properties and a very high demand for smaller one and two-bedroomed properties. I think that we have about 400 one-bedroomed properties in Wales to meet the demand and something like 27,000 households that need to move into those properties. So, by definition, we do not have the housing stock to allow people to downsize even though they might wish to do that. Local authorities are currently looking at ways in which they can convert, through the development of properties to meet the increased demand for one-bedroomed properties, but that cannot happen overnight—it is going to have to be something that happens over time. In the meantime, we will have households that will be building up significant rent arrears and, ultimately, that will have to result in homelessness and eviction.

Q94 Nia Griffith: To follow up, there have been some slurs on the house-building programme over the last few years, where a lot of housing associations have built properties and they have often chosen to build three-bedroomed properties. Do you think that was a good idea, because those properties offer versatility and can house small or large families, or do you think that there should have been more one and two-bedroomed properties built?

Sue Finch: I think that local authorities and registered social landlords in the last two decades have placed great importance on the sustainability of communities, and the need to have mixed communities. So, you do not wish to have a very different make-up of people with teenagers, because that is an incredibly unbalanced way to live. What often happens is that a social landlord will allocate a three-bedroomed property to a couple with one child on the expectation that their family is likely to grow. Over time, that will allow that family to put down roots, establish a home and a life in that community, and to grow into that house, rather than having to move every time a new child arrives or a teenager leaves home, with the possibility that they might want to come back again.

Q95 Nia Griffith: Just looking at this policy, some people could think that there may be a perverse incentive in it. There might be an incentive, actually, in that the policy seems to suggest to people that they should have a third child.

Carl Sargeant: That is an interesting question.

Chair: We will leave that hanging in the air, shall we? We are going to overrun here, and the Minister will not come again if we do that. May I go to question 5, please, from Mark Williams?

Q96 Mr Williams: You touched on the moral case and you mentioned the example of single parents and separated parents. I think that you will share my concerns about the position of disabled tenants and foster carers. There have been some miniscule but welcome concessions from the Government on foster carers, but what are your concerns about those groups?

Carl Sargeant: Thank you, Mark, for your question. The work that has been done by several interest groups to look at the state of the nation of Wales shows that we have a disproportionate number of people on disability benefits or benefits. It goes back to my opening remarks about the historical nature of the business of Wales. We had some heavy industries, such as mining and steel works, and a lot of people were affected by the way that they worked and, therefore, there are long-term consequences for their life and health. So, there is a greater consequence in Wales when changes to the way in which the benefits system works hit disabled people and children. You mentioned the issue around disabled families. I am aware that, on 6 March, during Prime Minister’s questions, the Prime Minister made a statement about disabled children being exempt from the bedroom tax, and the very same day the UK Government lodged an appeal to the Supreme Court in opposition to that very statement.

Q97 Mr Williams: Just to elaborate on the confusion point, at the time of the deliberations on the Welfare Reform Bill, the Government made available £25 million specifically for disabled people and £5 million for foster carers, and the message went out to many of our constituents that help was at hand, and to be fair, there is some. It is limited, but there is some help at hand. The perception is that there will be help, but it is not nearly as widespread as the impression that was given, is it?

Carl Sargeant: It is about the message and there was a question earlier about what we in Wales can do. What we are trying to do now is to provide advice services on the impact of welfare change in Wales. On the back of that question, may I just add something, Chair? You touched, very importantly, on disabled children and foster carers. One of my concerns is about how we support disabled adults in Wales. The categories are not wide enough in terms of support for disabled adults and that is something that the UK Government should consider in terms of exemption and support.

Chair: Would it be possible for Ms Alleyne or Ms Stirling to answer your question?

Naomi Alleyne: One of the concerns, specifically if we are looking at the impact on disabled people, is around the properties that have been adapted with disabled facilities grants, because some of those properties will be affected by the bedroom tax. Therefore, requiring people to move will again introduce a false economy, in that other properties will have to be adapted as well. Part of our concern is the cumulative impact of not just the changes to housing benefit, but the other changes around welfare reform and the impacts that they will have.

Q98 Mr Williams: Is it a concern of yours that local authorities are interpreting DWP rules or DWP recommendations on this in a different way? Some local authorities have not even devised their criteria for the delivery of discretionary housing payments yet, which is, again, causing more concern for very vulnerable people.
Carl Sargeant: We would welcome guidance from the UK Government in terms of discretionary funding.

Tamsin Stirling: There is a major issue about policy being made at a national level and then some of the detail in terms of the mitigation of that happening at a local level. So, in terms of people's understanding, a lot of work is ongoing in Wales to make people aware of the changes that are happening, but as soon as you get into how people would interface with the discretionary housing payment system, you have, potentially in Wales, 22 different sets of stuff going on and it is very difficult. I just want to reinforce the point that people made earlier about the fact that there seems to be an overall message. You said yourself that if you are a disabled person, discretionary housing payments are where it is at, but the pot available would meet only 10% or 15% of that demand.

Chair: Jesscia Morden had a quick question, as does Guto. Maybe you could ask them both together and the Minister could wrap this section up.

Q99 Jessica Morden: One of the other groups affected is separated parents. I have certainly had fathers of children under 35, who are now and who have had to go into the private rented sector, and, as they are under 35, they will have to share a house in multiple occupation and therefore they will not be able to have their children overnight. I am interested in the safety aspects of that. Secondly, on the unintended consequences of this, another thing that has come to light relates to areas that may be designated as pensioner bungalows for instance, and that when you look at your housing associations and their stock, they may have to re-designate the age criteria for those bungalows. You might have a very settled pensioner community in a group of housing and I wondered about your comments with regard to the social mix changes and social cohesion changes.

Guto Bebb: I just want to make a couple of points. Mark Williams from Ceredigion mentioned the fact that there was an issue in terms of an adapted house. However, the increase in the discretionary housing budget is quite significant: in Conwy, for example, which is the area that I represent, that figure has gone from £242,000 to £607,000 and, in Cardiff, it has increased from £1.1 million to £2.75 million. So, there are significant increases in the discretionary housing budget. There is a feeling that decisions should be made closer to the people and the Government is saying quite clearly that decisions should be made at a local level to respond to local needs, yet local government representatives are saying here that there is something wrong with that. Surely, the people who should know how to spend discretionary housing payments at a local level should be the members of local authorities.

Chair: We need to have really brief answers because we are not getting anywhere in terms of our agenda.

Carl Sargeant: I will go first. First of all, Jessica, I share your concern about the single person being able to maintain family relationships; that cannot continue if they are in houses in multiple occupation—I just do not believe that that is right and appropriate. If I can accept that there is a need to change the way that things operate in the financial system, 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 or four years to develop. However, we are shifting a financial burden and risk onto individuals, or onto devolved Governments, which cannot happen. I believe that this will be a car crash. However, if I accept the need for change, then this is something that we have to work forward on.

Guto raised an important issue about discretionary housing benefits. My concern is that we have consistency across the UK—

Guto Bebb: Why?

Carl Sargeant: Why? It is because the value for a disabled person in Flintshire is exactly the same as that for a disabled person in Monmouthshire, and we therefore need consistency regarding the instruction for determining that. You also raised the important issue of discretionary housing payments in Conwy, and the success of that. However, I understand that Conwy County Borough Council has not successfully fulfilled its obligation to fully spend the discretionary financial payments.

Chair: Thank you, Minister. I will call some of the other speakers next. Stephen Doughty will go first.

Q100 Stephen Doughty: You will be pleased to hear, Chair, that I am going to roll a few questions together. In terms of the consequences of what this means for people, there are, essentially, three options. First, people can move, although we have all heard about the limitations on the properties that are available for them to do that. Secondly, they can try to meet the shortfall between what they were paying and what they will have to pay through other means, which I am very sceptical about. Thirdly, they can fall into arrears, or, ultimately, see themselves being evicted. Unfortunately, I have already had constituents coming through who are in that situation; building on top of their existing arrears because of their financial situation—with council tax, utility bills and so on further compounding the problem.

Therefore, I have two questions—to all members of the panel. First, what do you believe local authorities and housing associations should do to meet the shortfall? There have been suggestions, for example, of taking in lodgers and so on. Do you believe that there is the capacity there for people to do that? Secondly, in terms of the arrears situation, what do you believe local authorities and housing associations should be doing? I have heard some worrying stories from the housing associations that I have spoken to regarding their predicted increase of rent arrears. We have also seen the Torfaen example from the pilot schemes, which included multiple reasons. Therefore, I have two questions—what capacity is there for the shortfall, and how should we deal with the issue of arrears and evictions?

Chair: I know that these are important questions, but I appeal for brevity by that—this is helpful.

Sue Finch: There is no doubt that the evidence from the pilot schemes demonstrates that the capacity of social housing sector tenants to absorb the cuts that we are talking about is minimal. A high proportion of tenants already have debt, and some 90% have no
savings. It is inevitable that a high proportion of them, if they are forced to attempt to make up the shortfall, will end up in arrears, and that will ultimately have to end up in eviction. The cost of that to local authorities in terms of providing homelessness services will be immense, and will outweigh the cost savings that we are predicting. Therefore, in terms of tenants’ capacity to meet it, I believe that it is minimal. The capacity of discretionary housing payments to meet it is limited. Some local authorities are taking a strategic approach, and are saying that, for the first six months, they will make up the shortfall to allow people the time to make the move. However, that is not a sustainable policy in the long run; although authorities would like to do that, the supply of the DHP is not sufficient.

Q101 Geraint Davies: Something like 29,000 households will be affected by this cut and, on average, they will have a cut of £12. There are only 400 one-bedroomed houses available. What will the mix be in terms of accumulating rent arrears, mass evictions and an attack on the repairs budgets of local authorities? After all, if some of the give is taken up by local authorities, all that we will end up with is more and more houses that are worse and that are damp.

Tamsin Stirling: As levels of arrears increase, the implications down the road are twofold. First, as you said, there is an implication for repairs, particularly in relation to achieving and maintaining the Welsh housing quality standard set by the Welsh Government. That standard is about achieving good-quality accommodation in which people can live. Secondly, there may be an impact on housing associations and local authorities in terms of being able to build new housing. Lenders would potentially increase the price of lending to housing associations, which are, at the moment, rated very highly in terms of reliability in paying back their borrowings. So, there are potentially big implications—not this year and possibly not next year, but these are cumulative implications. Also, when you add the housing benefit changes to the other changes that are being made—

Q102 Geraint Davies: Companies like Nationwide will not give buy-to-let mortgages to landlords who accept tenants who are on benefits, so they are being squeezed on either side, are they not?

Tamsin Stirling: I wish to return to a point relating to one of the options available to people in this scenario, and for which we have anecdotal information. Payday lenders are not pay-day-lenders; they are benefit-day lenders. Wonga is the fastest-growing company in the UK, as I understand it. The UK Government could look very seriously at putting a cap on interest rates. We have come across anecdotal evidence of interest rates being levied at millions of per cent, because they relate to small amounts of money paid over a short period of time. This group of folk are extremely vulnerable to that kind of practice.

Q103 Jonathan Edwards: I wish to add something to Stephen’s question. One thing that you could do to mitigate this policy is to instruct Welsh local authorities and registered social landlords to have a no-eviction policy for tenants who find themselves in arrears as a result of the changes to housing benefit. Is that something that the Welsh Government is looking at?

Carl Sargeant: Your presentation of that argument is absolutely right, Jonathan. However, the problem is that the financial consequence of that has to fall on somebody, and we have to consider who pays for it. Is it the Welsh Government, the RSLs or local authorities? As I said earlier, we are having revenue and capital reductions, and this is a discussion that has to continue.

Chair: Simon, I believe that you want to ask a question.

Q104 Simon Hart: Yes, I have one question, but it is in two and a half parts; I will keep it as brief as I can. [Laughter.] We talked about housing stock, and I accept what has been said. Nearly a quarter of my constituency is covered by the Pembrokeshire Coast National Park. The planning conditions that the park applies are ridiculous, and the consequence of that is that affordable housing is not built because of punitive taxes on developers. We are therefore missing our affordable housing targets by a mile. What are you able to do in your current position to shake some life into the national park and sort out that ridiculous problem, given that it is extremely significant?

I will now turn to my second question. Minister, you mentioned the moral argument earlier on, but I suspect that I misunderstood your argument, or at least I hope that I did. I take the view that families move all of the time. I have moved several times in my life, partly because of changing income circumstances, increased family and the need to follow the work. I have had to take decisions to move from a place where my kids...
are at school or a place that I love or have grown up in because I have had to follow the work. I am not certain whether you were saying that, in the social housing sector, the taxpayer has to subsidise people to not have to take decisions that I have had to take as a normal member of the public throughout my entire working life. I would like some clarity on that. Thirdly, I will turn to my half question. You mentioned increased domestic abuse and violence and potential substance abuse. I would love to have some hard and fast evidence to support your comments on that.

Carl Sargeant: Thank you for those two and a half questions, which are really important. Regarding the first part, which relates to what we are doing in Wales, I am introducing a housing Bill and a planning Bill, which I hope will be revolutionary in terms of opportunities for Wales and the Welsh Government going forward.

Q105 Simon Hart: When? Is that happening soon? Tamsin Stirling: The housing Bill will be introduced in the autumn, and the planning Bill will be introduced the following year.

Glyn Davies: That is quite revolutionary. Carl Sargeant: Let us hope. On the issue around moving home, I am trying to do a straw poll of the people I know. It is not very scientific, but I do not know an awful lot of people who have moved house lots of times and moved to different jobs and cetera. I accept that people do move, but at the moment, the reason why people are being asked to move is not because of choice of employment or otherwise. It is because their income is being reduced and they cannot afford to live where they want to live, or where they have grown up. We have some issues there.

What was your final point?

Q106 Simon Hart: You mentioned domestic violence and substance abuse. I just wanted some evidence to support your claim.

Chair: Ms Alleyne might have some evidence on this. Carl Sargeant: We will look at this and supply you with the evidence. I will try to give you the evidence, but at the moment, the reason why people are being asked to move is not because of choice of employment or otherwise. It is because their income is being reduced and they cannot afford to live where they want to live, or where they have grown up. We have some issues there.

Chair: Did you have a quick point to add?

Naomi Alleyne: I have a couple of quick points. One of the points that I would like to pick up comes from an earlier question. Local authorities are working with the Welsh Government and the Department for Work and Pensions to look at issues such as personal budgeting and support that will be available to assist people that are affected by these changes. They are looking at local support services that will be available when universal credit comes in. However, one of the concerns that we have is that some of those support services are not there at a time when those changes are already happening. The scale and the pace is a big challenge.

One of the concerns linked to domestic abuse and substance misuse is around direct payments to one named person in the household under universal credit. If there is domestic abuse or substance misuse already within that household, there is concern that that will also have an impact and lead to more chaotic lifestyles.

Q107 Glyn Davies: Most of the questions that I was going to ask have been pretty well covered, by Nia in particular and one or two others before her. However, there is one general point. We have new legislation coming in in relation to housing benefit subsidy and that is going to have an impact in different ways. What the Welsh Government—and, indeed, the Westminster Government—will be doing will be trying to ameliorate that impact wherever it is negative. That is something that we are all trying to do. I have seen the stuff on the BBC yesterday, which I think you mentioned now, Sue, about the number of tenants affected and the number of one-bedroomed houses available. To what extent has the Welsh Government looked back on what happened when this very similar change was introduced to those tenants in the private sector? How many moved? My understanding is that about 70% of the tenants stayed in their own properties and that it was a very small number of people who decided to move. If you look back at the example of what happened in a very similar circumstance in the private sector, you will see that it gives us a bit of an indication of how we can best meet this in terms of new-build homes and dealing with the position. What research do you have that applies in Wales on that general issue?

Carl Sargeant: It is a very balanced question in terms of looking holistically at what is happening in Wales. That is why I said earlier to the Member that a policy decision made by the UK Government is a policy decision, and that we have to accept that and adhere to moving forward. We will seek to mitigate what we can in that process. My concern is that in making those changes now, we are not prepared, in Wales or any other part of the UK, for dealing with a shift in tenancy to smaller properties for people who need or have to move in that process. It is just too quick. If we are considering building one or two-bedroomed properties now, given the state of the nation, we need to understand what is available when there is an increased demand. To build properties or estates takes two to three years. So, during the period in between that, there will be financial consequences for the individual. We have to work out how we get the transition from where we are now to where we want or need to be in two, three or four years’ time. I do not know whether the UK Government has yet considered making those changes in a more flexible way to give people time to exit into properties that are more suitable in that policy agenda context.

Karl Thomas: In response to Mr Davies, one of the things that was introduced in the private rented sector
Geraint Davies: In Swansea, rent for a two-bedroom house in the private sector is 50% higher than rent for a three-bedroomed house in the social sector. Given that we heard earlier that the private sector accounts for 70% of the increase in housing benefit costs, it is likely that the costs will go up and not down in the private sector and that rents will go up. What do you think the capability of the private rented sector is to take all of these people being discharged?

Carl Sargeant: I have a very quick answer to that one, which Sue may add to. The simple answer is that there is a huge risk that the price will go up. Shelter provided a useful paper on the bedroom tax and comparison rates. The risk in terms of financial burdens on individuals and authorities moving forward is self-evident.

Sue Finch: Just to add to that, it is inevitable, given the limited supply in the private rented sector, that, if you have increased demand from people trying to downsize, it will force rent levels up in the market economy in the private rented sector.

Geraint Davies: So, do you think that there is a risk of empty houses in the social sector, rather than more efficiency, and of too much stress on the private sector, with rents going up, overall costs going up and revenues going down?

Sue Finch: They are already 40% higher than in the social rented sector. If you have more people moving to the private rented sector, demand goes up and the price goes up.

Jessica Morden: Is there a danger, therefore, that this will save the Government money only if people stay put and pay more? If they are not able to do so, it will cost more in private rent, and there will be costs to local authorities in emergency accommodation. It would be helpful if you could explain a bit about the costs of providing emergency accommodation if people are made homeless.

Sue Finch: The cost of processing someone who is making an application because of homelessness is about £2,500. The cost on average of providing temporary accommodation is about another £2,500. So, every household that is displaced as a result of the deduction to their benefit will be a cost to local authorities of £5,000. Then we have the problem of how you rehouse someone who has come through that route, because we know that you could not possibly rehouse someone in a larger property that they could not afford. So, you are then building up a queue for a very small proportion of properties that meet their needs, and there is a backlog of people in temporary accommodation.

Tamsin Stirling: Additionally, they are indebted as well.

Jessica Morden: From where we are now, what can local authorities and housing associations do at the moment to identify suitable accommodation for people? There was a BBC report last week, which has been referred to, that said, for all the 28,000 households affected, there were 400 one-bedroomed properties available. I think that it also said that there were four local authorities where there were no one-bedroomed properties at all, including Monmouthshire in my area. So, how easy is it for them, practically, to be helping people at the moment?

Sue Finch: It is disastrous, because there is not the supply of accommodation in the private rented sector or in the social sector. That is a particular issue in rural Wales, where you might have to move 50 miles to find a suitable property that will meet the needs of your family. In which case, you might lose your employment, your caring support network and your childcare network. So, there will be ripples following on from this policy that go far beyond the issue of someone trying to find a house that meets their needs. Local authorities are working with registered social landlords to provide considerable advice, as the Minister explained, such as financial advice and support to use credit unions or other similar ways of establishing jam-jar accounts in banking, and to improve computer literacy and so on in an effort to equip people to respond to the changes in policy. However, it is inevitable that we will see an increase in arrears and that evictions and homelessness will rise as a result of that.

Mr Williams: That touches on a question that I was going to raise about the Welfare Reform Act 2012 and the ripple effects that you described. For a school in south Ceredigion, which has 25 children, if two families were to move and leave that school for accommodation that was available in the north of the county, the ripple effects for that school, let alone the education of those children, would be quite significant, would they not?

Sue Finch: Yes. To add to that, it has been estimated that the cost to Wales of welfare reform is something like £1 billion. Most of that will be in the hands of benefits recipients in local communities and that loss of income will have a huge impact on those local communities.

Mr Williams: I will quickly ask the question that I was supposed to ask: you have contributed £120,000 to a national research programme, so what do you envisage being achieved by that project and what will happen when the results are known?

Carl Sargeant: That was launched in my previous departments. I will ask someone else to comment on that.

Tamsin Stirling: There have been two outputs from the work already. It has a number of phases, so there are two published reports, details of which we can send to committee members. The first one looked at overall financial, fiscal impacts and the second one was starting to pick up on more social and...
demographic impacts. It is tracking the impacts of the whole suite of welfare reform measures on the Welsh economy. A headline figure has already been mentioned. It is quite detailed work and the Institute for Fiscal Studies is involved. It is very detailed modelling.

Mr Williams: I know that it is hard to quantify, but there is that social dimension to it—it is a debate on which Simon Hart and I would differ—with regard to communities where people move a lot throughout their lives, or stable communities. I hope that that social dimension will figure highly in that.

Chair: If Nia will forgive me, because we have covered a lot of the topics on that already, I will go to Jonathan, who has a question on direct payments.

Q114 Jonathan Edwards: In Northern Ireland, the housing element of universal credit will be paid directly to landlords. That is because Northern Ireland has power over the administration of benefits. Is the Welsh Government looking at that, as a result of the policy from Westminster?

Carl Sargeant: We are looking at that. I wrote to the Minister this week regarding my concerns around parity with regard to devolved functions. While I accept that Northern Ireland has its own benefits system, the effects on people in the benefits system are the same whether you are in England, Wales or Northern Ireland. If there is a delay of six months in bringing in universal benefits in Northern Ireland, we should have that in Wales too. There is also the issue that was mentioned earlier relating to the project that has been running in Torfaen as regards direct payments. Where a pilot scheme is uncovering a problem with a process that suggests a sevenfold increase in rent arrears, that would suggest to me that there is a big problem with the scheme that is going to be implemented. I would hate to think that anybody who has introduced a pilot scheme would continue to create a fully-fledged scheme on the same basis. It is incumbent on us to ensure that we can influence UK policy in changing the way in which the process works. It just gets people further in debt and, once you are in debt, as you will be aware, it is extremely difficult to get out of that situation. I do not think that this will help at all. What I am asking for—and I would also ask for support from the evidence in this committee—is that, if we are to have parity on benefit and welfare reform, we should have that across the UK and the same should happen here as happens in Northern Ireland.

Chair: Thank you very much indeed for that answer. Stephen Doughty has the next question.

Q115 Stephen Doughty: There is a possibility that payments will continue to be paid directly to social landlords for vulnerable claimants and pensioners. Do you think that the vulnerability criterion is adequately defined?

Carl Sargeant: No. [Laughter.]

Chair: That was a very succinct answer, Minister. Do you have a follow-up to that, Stephen? No? In that case, Nia Griffith is next.

Q116 Nia Griffith: Obviously, if the rent is paid directly, the rent that is being paid directly for a three-bedroomed property that is classed as under-occupied will not all be in that rent payment, so how will people get the other amount of money from the vulnerable people? If it carries on being paid directly as opposed to being paid to them—

Carl Sargeant: We have no idea. That is the process that is being implemented. You move from direct payments—where, if you have somebody in debt, the payment goes somewhere else—to this, where the debt increases and you have no way of paying your debt off. It is poorly thought through.

Q117 Chair: To my astonishment, Minister, we have actually finished the questions, but we have five minutes left and I know that Miss Stirling would like to say something. If anyone has any quick questions requiring short responses, I could bring them in afterwards.

Tamsin Stirling: One of the lessons, as I understand it, from the direct payment pilot scheme in Torfaen is that we underestimate the shift that is needed and the support that is needed for folk moving from a weekly or fortnightly receipt of moneys to being in monthly arrears. The scary thing about the Torfaen pilot scheme is that it was testing direct payment of rent money only—it was not testing direct payment of all money, which is what people will get through universal credit. This is a personal view, but, having been a housing officer myself many moons ago, and having seen the way that people on very low incomes budget—some of them manage incredibly well on fantastically small amounts of money—the choice to have the rent paid directly to the landlord is an effective means of budgeting for some people; it is not irresponsible or not caring or thinking that you do not pay any rent. For me, taking away that choice, because it is thought better to have it paid directly to you, and then for you to pay it to the landlord, does not necessarily reflect where a lot of people living on low incomes are in terms of their desire to budget effectively.

Chair: We will have some very quick questions and answers.

Q118 Jonathan Edwards: The Labour Government here in Cardiff, and yourself today, have made some pretty strong statements about welfare reform in general. Therefore, how disappointed are you that Labour MPs abstained in the Second Reading vote in the House of Commons? [Laughter.]

Chair: One for the Minister, perhaps.

Carl Sargeant: I am very concerned about how the current welfare reform by the UK Government will impact on people in Wales, and I am sure that all the people around this table share those views with me.

Q119 Glyn Davies: Behind this, there are two fundamental areas. One relates to the cost of welfare, which we have talked about, and the other to the efficient use of housing. Have you got figures for how many people are homeless and in need of housing, and how many people are living in accommodation where the number of bedrooms is completely
unsuitable—perhaps they are living with their parents, or whatever? Have you got any figures for the people who need this sort of housing—the people we are talking about? Does the Welsh Government have any particular strategy to deal with those people who need housing, which is one of the fundamental drivers behind the policy change?

**Carl Sargeant:** We will seek to provide the committee with the lists of homeless people across Wales currently. As I said earlier, the effects of welfare reform are relatively unknown. There is lots of anecdotal evidence about what it will and will not produce. We can only go on the best guesstimates of what the implications will be. The consequences of having less money in the family home must be an impact on the services that you can afford, whether that be housing or other public services or other personal needs in the family environment. My concern is that some of these numbers are unknown, and the consequences will come further down the line, but the ability to build new homes or create suitable accommodation under the policy agenda that has been set is extremely challenging for any government, of whatever colour. My view is that the introduction of this policy is a decision made at UK level, but the implications are at local authority and Welsh Government level, and we have little control over that, other than trying to deal with the issues that have been imposed on us. It is just too early.

**Q120 Geraint Davies:** A man came to see me in my surgery who was on £20 a week after paying his utility bills, and he told me that he would be on £2 a day afterwards, because he had an extra bedroom and nowhere to go. He lives in Townhill. I just wonder what advice you could give to him, and how you see the increase in reliance on food banks and charity. Do you see any possible impact on crime? Domestic abuse has been mentioned already.

**Carl Sargeant:** They are all concerns to us. We are trying to do a little piece of work on the wholesale impact of welfare reform for the devolved nation costwise because regardless of whether these are housing or council tax issues, when people start to have less money on which to live, that forces them into a different way of operating, whether that be withdrawing from their community and managing with what they can internally or pushing them to crime or fraudulent actions. Again, that is anecdotal, but a clear map has been laid out about the consequences for communities in the whole of the UK, and—this is my particular concern—in Wales.

**Chair:** Thank you very much indeed, Minister, and all of the other people who have come along this morning. It has been a good meeting.
Tuesday 16 April 2013

Members present:
David T.C. Davies (Chair)
Guto Bebb
Geraint Davies
Glyn Davies
Jonathan Edwards
Nia Griffith
Simon Hart
Jessica Morden
Mr Mark Williams

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Examination of Witnesses

Witnesses: 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, gave evidence.

Chair: Good morning. I welcome Mr Bennett—whom I cannot see very well, unfortunately—Mr Hembrow, Ms Forte and Mr Forbes. Thank you very much for coming along this morning. We will just launch into our questions, if we may, but there is nothing to worry about here; we are quite a friendly crowd, so feel free just to tell us what you want to tell us. I may have to speed things up a little bit, because we have a tendency to run on sometimes. Do not be offended if I do that. I call Glyn Davies to start.

Q121 Glyn Davies: I have a couple of general questions to start with. We are looking at housing benefit for two reasons. One relates to cost and one relates to efficiency of occupancy. We have seen housing benefit expenditure double in the last 10 years. Do you agree that it was accepted that there was a need for Government to look at the cost of housing benefit and for ways of controlling and reducing it? It is a general point.

Nick Bennett: In terms of the generality, I agree that we are in a period of deficit reduction and that, if there are significant items of expenditure, they need to be reduced. However, you need to analyse why housing benefit has increased over the past decade—certainly over the last five years. A recent figure that was given to me is for Rhondda Cynon Taf, where over the past five years the benefit bill has increased from £34 million to £43 million this year, which is a significant increase. Of course, during that period you have seen an increase in unemployment in that part of Wales, but also stagnancy when it comes to the labour market and wages. It is important that we do not forget that a significant number of people who receive housing benefit are in work. To a large extent the welfare system, including housing benefit, helps to subsidise low pay.

Q122 Glyn Davies: Another question that I want to ask is about something in which I myself take an interest—the role of housing associations and local authorities in providing social housing over a long-ish period. In terms of new provision, you have been involved in one of those myself—that difference, such as the transfer of housing stock—I have been involved in one of those myself—that change the figures quite a bit.

Nick Bennett: I would be very happy to do that. Shayne Hembrow: In terms of new provision, you will have had relatively little from local authorities in, say, the last five years, whereas new provision by housing associations would be in the order of about 1,000 to 1,200 units per year.

Chair: Could I bring in Jessica Morden? One of the other panel members may want to pick up that point.

Q123 Glyn Davies: Could you let us have a copy of the figures for how many houses, or social units, if you like, were provided by housing associations and how many by local authorities over quite a long period—say, 20 years? They ought to be available. I could probably ask the Library here as well, but it would be useful to have your perspective on the figures over a long period, because there can be differences, such as the transfer of housing stock—I have been involved in one of those myself—that change the figures quite a bit.

Nick Bennett: It would. Thirty years ago, the amount of social housing provided by housing associations in Wales housed 1% of the population. This year, it is 11% of the population—136,000 units. Just five years ago, it would have been 6%, so it has more than doubled over the recent past. The main substantial driver for that increase during the past five years has been the transfer of stock from roughly half the local authorities in Wales. Currently, 10% or 11% of housing in Wales is provided by housing associations and 7% is provided by local authorities. Even five years ago, those figures would have been in reverse.

Antonia Forte: Our understanding of the situation is that those changes could be phased in, so that people
who changed over to local housing allowance in the private sector had that change made when their circumstances changed, or when they changed tenancies.

Q 125 Geraint Davies: The housing benefit cost has doubled in the last 10 years. We understand from our brief that 70% of that increase is due to the private rented sector—a combination of higher rents and more people being put into the private rented sector because of the lack of house building. However, you mentioned the transfer of council houses to housing associations. In that transfer, did the average rents and housing benefit costs increase as a result of those changes?

Shayne Hembrow: No.

Q 126 Geraint Davies: They did not?

Nick Bennett: To clarify, five or six years ago, roughly 20% of the Welsh population was housed in social housing. The figure is roughly the same now, but the balance within it has been transferred from local authorities to registered social landlords. On increased rents and costs to the housing benefit bill, rents both for local authorities and for ourselves are regulated by the Assembly. I think the private sector increase is a function of increased housing costs and the return the private sector will demand on—

Q 127 Geraint Davies: In other words, if it is the case, as has been said, that 70% is from the private rented sector, from what Mr Hembrow was saying—that only a couple of thousand houses are being built a year—the key solution for lowering the housing benefit bill is to build more social housing with lower rents, isn’t it?

Duncan Forbes: Or to tax the rent in the private sector—that would be another way of doing it.

Q 128 Nia Griffith: Before I go on with some housing questions, I would like to pick up something that Nick Bennett said. Are you saying that one of the ways to reduce the housing benefit bill would be to ensure that the minimum wage at least keeps up with inflation or is actually raised above inflation?

Nick Bennett: What I am saying—to go back to a point made earlier—is that a rising housing benefit bill reflects increased house prices and the fact that those in the private sector who want to supply that asset to the market will demand a certain level of return. If people cannot afford to pay their rent, clearly the housing benefit system is there to help them. It is important that we remember that a significant number of housing benefit recipients are actually in work. That is forgotten too often.

Q 129 Nia Griffith: In terms of the housing stock in Wales, we seem to be being hit harder than elsewhere by under-occupancy. Would somebody like to explain how that has come about?

Antonia Forte: I will kick off with the issue in the valleys, because the association I work for in the Rhondda Cynon Taf county. A lot of what we do is regeneration in existing properties and communities. I am sure you will all know the picture of streets of terraced housing, which tends to consist of three-bedroom houses. We are rehabilitating and improving the standards of those existing properties, but there is not an awful lot you can do with the footprint. Some of the issues with the number of people who are living in the properties are to do with the size of property we have in the first place in some of these communities, where there has been no, or very little, new build.

Duncan Forbes: The big problem with our housing demand in Wales is smaller properties. That is the problem with this change, because it is actually making that problem worse. In London the problem is family housing. Outside London—in England and in Wales—the problem is too few small houses. Now we are funneling all the people into smaller houses, which will create a much bigger problem with demand. It is not an efficient use of the housing stock.

Q 130 Nia Griffith: If people over the age of retirement are not subject to the under-occupancy penalty, is there the potential for us to end up with the perverse situation in which they will be occupying all the three-bedroom houses, while the people of working age with children are crowded into smaller properties?

Duncan Forbes: Yes, that is distinctly possible.

Nick Bennett: We have not come here to advocate the extension of what has been called the bedroom tax to any other age cohorts, but we have thought about the issue of why Wales appears to be the nation or region of the United Kingdom that is most affected by the bedroom tax. The percentage—46% of claimants—is the highest anywhere. There tends to be a split between the north and the south. The north-west Yorkshire and Humberside, the north-east and ourselves tend to edge towards 40%. The figure is 30% in the Midlands but 20% in the more prosperous south-east and east of England. We think this may reflect a tendency towards providing family-type accommodation, as opposed to the smaller units in more prosperous areas. In terms not just of supply but of demand, the level of under-occupancy decreases the closer you get to the more economically active parts of Britain.

Q 131 Mr Williams: You mentioned the regional divide. Have you done any work on the rural-urban divide within Wales, given the particular challenges that some of us in rural areas are facing on this?

Nick Bennett: We are particularly concerned about the way in which one would seek to make provision in some of the rural areas. This is going to be a challenge for all our members, but even those who work in the valleys or the more urban parts of Wales accept that it is particularly a rural challenge. I think Wales and West Housing would like to comment on that.

Shayne Hembrow: We have looked at our level of under-occupation across Powys. We have about 800 properties there and around 95 people who are under-occupying.
Q132 Chair: I am sorry—how many did you say?
Shayne Hembrow: Ninety-five people out of our stock of just over 800 are under-occupying. The majority of those looking for one-bed accommodation, and we have almost no one-bed accommodation.

Q133 Mr Williams: I was going to ask you about this later. Therefore, when we come on to potential consideration of tenants and their links in a local community, you are really very limited in what you can offer people, aren’t you?
Shayne Hembrow: Yes. If you look on Rightmove and across all the social stock in Powys, there is very little one-bed accommodation. It is difficult to see how those people will be able to move even if they choose to move into the private rented sector, where there is almost none available.
Chair: If you want to explore the questions you were going to explore later, feel free to do so.
Mr Williams: We will probably go into it later.

Q134 Nia Griffith: If you are faced with a choice when building new units, is it preferable to build three-bedroom units because they are versatile and can be used by a range of different tenants, or should we be focusing purely on one-bed properties?
Nick Bennett: That is really affected by the more recent proposed changes. Faced with welfare reform, there is certainly a case for providing more one and two-bedroom properties. We saw the research from the BBC published last Friday, which showed that the provision available within the social sector was one seventieth of what was needed. The current changes might well advocate more provision in that direction, but if you were starting from the other end—with what is most economically efficient in terms of what a community might need and what represents a lifetime what is right now may not be right in 10 or 20 years’ time. That is the difficulty. The housing that we have is big family houses built 50 years ago.

Q135 Chair: If we go out and build a lot of one-bedroom or two-bedroom flats for people, are there a significant number of people who will decide to have children while they are on benefits? I am not making any judgment about that, but is that a fact of life and something that we should consider when providing housing stock?
Duncan Forbes: Let us look at the life cycle of a family with the new under-occupation rules. If we have someone who is six months pregnant on the waiting list, we can’t give her a two-bedroom house because she qualifies only for one bedroom until the baby is born, when suddenly she needs a two-bedroom house. She may then get pregnant a couple of years later with a second child, which will still qualify her for only two bedrooms—but when one of those children becomes 10, she suddenly needs three bedrooms. Then, when that child becomes 16, it does not count any more, and she needs two bedrooms again. The number of bedrooms that people get their rent for will change numerous times. Someone might have an accident and need a room for a carer, or for other reasons. This doesn’t work, in terms of the use of the housing stock. Each time you move someone, it costs a lot of money.

Q136 Chair: I appreciate that this is slightly anecdotal, but I think the Government may be working on the premise that anyone going into social housing will probably be in a stable family situation. Are you saying, more or less, that in reality people choose to have children and their families may increase?
Duncan Forbes: Yes—and then the children get older and the families decrease.

Q137 Nia Griffith: With regard to waiting lists, as I understand it, only about 8% of benefit claimants have more than two children. Are you going to find enough people on the waiting lists with big families who would actually qualify for a three-bedroom house, when two parents and two children under 10, or two children of the same sex under 16, do not qualify?
Shayne Hembrow: It is a very real concern at the moment that, when we profile our stock and look at it against the waiting list, we end up with three-bedroom properties for which very few people will be able to get housing benefit to cover their costs. That means they will not take the three-bedroom property, but will be forced to take a two-bedroom property, and their children will have to share.
Antonia Forte: That is particularly true in some of the valley communities. We are really concerned about the fact that, if we had to allocate there on the basis of the housing benefit criteria, we would end up with a lot of empty properties. As I said earlier, one of the reasons for our existence is the regeneration work that we are doing in some of these more deprived communities.

Q138 Jessica Morden: A nother point about the life cycle of somebody moving between houses is that you might need child care from parents who live nearby when your children are small, and certain other family members who can offer help as carers. Do you think that changing schools also has an impact?
Duncan Forbes: Yes, very much so. That is the big worry. Rural communities have been mentioned, but even in urban communities, if you are moved only 4 miles away, it will cost £5 on the bus every day to go backwards and forwards to pick up children from school for your daughter or son, who may be in their 20s. That is quite a common sort of arrangement, where people are caring in one way or another, either for older parents or for younger grandchildren—things like that. All those networks are really important, and actually enable people to work.

Q139 Jessica Morden: We have had quite a lot of evidence about different groups, particularly the disabled and separated parents, being
disproportionately affected by these changes. Are you as housing associations confident that, where people have had their houses adapted because they have a disability, for instance, you will be able to fulfil their needs in another property if they are forced to move?

**Duncan Forbes:** We are absolutely clear that we will not be able to do that. We have spent £960,000 on adapting properties that are being under-occupied, for 260 households. We will not be able to offer them alternative accommodation in adapted properties. Unless we spend the same amount of money again and waste the money we have spent, we will not be able to rehouse them.

**Shayne Hembrow:** It is the same for us. We have 800 homes altogether that are under-occupied: 154 of those households have adapted homes with level-access showers and stair lifts. We will certainly not be able to guarantee those adaptations for the next property they move to. In all fairness, it is not likely to be one of ours.

**Q 140 Jessica Morden:** You have obviously been doing a lot of work among your tenants to prepare them for the changes that are coming soon. What have your tenants been telling you about how they will cope with the average shortfall in rent of £12 a week?

**Antonia Forte:** People are quite scared about the situation they find themselves in. One of the problems we have is that our ability to offer them a solution is very limited. Although we can support them—we are doing things such as increasing the amount of resources we are putting into community well-being coaches, so that the routes into work are being explored, as indeed they have already been—there is not anywhere for them to go, in the first place, which means moving out of their communities. If you wanted to downsize in the area of Penrihwcwber, Miskin and Mountain Ash, we could not help you. As has previously been said, sometimes these people have been there for an awfully long time—they may have lived all their adult life in that community—and they are providing support to other relatives to help them work. First, I think there is an awful lot of fear, and the options are very limited. Then you have the question, “What are we going to do if you can’t pay the rent?” That’s another issue.

**Q 141 Jessica Morden:** I know Bron Afon has done particular research among its tenants. If they are not able to move, how will they cope with finding the extra £12?

**Duncan Forbes:** People are talking about not eating and not heating; that is the stark choice people are facing. I attached to our evidence the stories from some of our tenants. Our staff were really shocked by how drastic the circumstances were. These are not people who have lots of luxuries—the image of people who have Sky television and a BMW parked outside their houses. These are people with no car, no telephone, no Sky—none of the luxuries that people supposedly have. They are just people who are trying to survive. Although £12 a week does not sound very much, if you are working, in order to have an extra £12 in your pocket you have to earn an extra £240, because of the tapers on housing benefit and council tax benefit. The taper is 95%—for every pound you earn, you get only 5p back. Effectively, it is a tax rate of 95%.

**Q 142 Guto Bebb:** With respect, it is not 95% in every case—and obviously, universal credit is being brought in specifically to deal with that issue. I think we need to be clear about that type of comment before making it as if it were a blanket statement.

**Duncan Forbes:** Universal credit will not come in for another couple of years, so right now there is—

**Q 143 Guto Bebb:** It is not 95% for every person; it depends on the circumstances.

**Duncan Forbes:** It is for people who are working.

**Guto Bebb:** No, it depends on the circumstances.

**Q 144 Chair:** I will bring in Mark in a minute. I would not want this to get too emotive, but are you saying that nobody in any of your properties has a satellite TV dish?

**Duncan Forbes:** No, I am not saying that at all. I am saying that there are lots of people affected by this who are living on the breadline.

**Q 145 Chair:** Would you agree that anyone who has a satellite TV dish on their roof is not in the same position, and should perhaps be expected to share in the austerity measures that the Government are bringing in?

**Duncan Forbes:** I do not know what else they are going without if they have a satellite dish on their roof, or who is paying for it. In some circumstances, a family member may well be paying for it; that is not unusual. I have no way of telling whether that is the case.

**Q 146 Mr Williams:** In parts of my constituency, the only way any voter can get television reception is by having satellite TV, so it is not necessarily such a luxury item. I want to ask specifically about the way in which associations have been engaging with the tenants. I know that Tai Ceredigion in my constituency has dedicated staff who have been contacting tenants and working through the solutions with them. Is that the model that you have been operating?

**Antonia Forte:** Yes. We have been working very closely in Rhondda Cynon Taf, where we have a really good relationship with the local authority. We have had road shows, individual letters and individual visits, so an awful lot of resources have gone in. We anticipate that that resource issue for individual associations will both continue and increase. For instance, my reasonably small housing association has employed an additional three people this year just to cope with the queries, the anxiety, the advice giving and the rent collection.

**Shayne Hembrow:** It is similar for us.
Q147 Jonathan Edwards: Much of the evidence that we have had from housing associations says that the policy will lead to rent arrears and evictions. What evidence do you have for that? Can I ask Mr Forbes to answer, as there was the pilot in Bron Afon?

Duncan Forbes: That is the direct payments pilot. If you are asking about under-occupation, our arrears have gone up by getting on for £100,000 in the last two weeks, since the under-occupation rules came into force. Pretty much all the people who are under-occupying are not paying their rent—we have monitored that according to the people who are under-occupying—so they are heading in the wrong direction. The process will trigger in if they do not pay their rent, and will eventually lead to eviction, with the homelessness costs.

Q148 Jonathan Edwards: Can you give us some explanation of the process?

Duncan Forbes: Yes. It is pretty much the standard process—although my colleagues can correct me if necessary. We have a series of contacts with tenants informally, by trying to phone and visit them. Initially we send a letter just reminding them, to see what happens. As the arrears go on, we intervene more proactively. We knock on the door several times, at different times of the day, to try to get access to people, and deliver letters. Then we move to a formal notice. Then we move to issuing court proceedings, while carrying on the attempts at contact. If we can make contact, we reach an agreement on how they are going to repay. We do a piece of money advice around, “What’s your income? What are your assets? How can you save money so you can pay your rent?” Then we refer them to any sources of income they may be able to get, and help them with job applications and benefits advice. If we do not get access, the process goes to court and we get a court hearing. On the whole, they get time to pay, with an adjournment from the court. Some people start paying at that point; others do not. Eventually you get down to a process where they have had probably 10 or 15 chances to come up with an arrangement to pay off the arrears and have failed at all of those.

For all of that time, we are trying to put in support measures as well, to help them, either by referring them to other agencies or by putting in support measures ourselves to try to help them to manage their finances better, if they need help, and to make choices around what they are spending their money on, or to get extra income. Ultimately, they may be evicted. They then move into the homelessness situation, where they will probably be put either into temporary accommodation, which costs the housing benefit system pretty much double the cost of our accommodation, or, worse still, into bed and breakfast, which is £30 per person per night. That is a very expensive option.

Q149 Jonathan Edwards: What would be the sector’s response if the Welsh Government were to introduce a no-evictions policy for those who are in arrears as a result of the under-occupancy policy?

Duncan Forbes: They could not do it, because our lenders would pull the plug.

Shayne Hembrow: It would push the sector over the edge.

Duncan Forbes: Yes, it could pull the sector over the edge.

Antonia Forte: There seems in some of the press to be a perception that somehow housing associations can absorb what is likely to be an increase in rent arrears. I can only talk for my own association, but that is something we could not do. As Duncan said, we know through the Council of Mortgage Lenders that individual lenders are looking quite carefully at the impact this will have both on our income and expenditure and on our cash flow. Most of us have lending that needs to be repriced every five years, so I think there is a real danger to the viability of the sector.

Nick Bennett: The sector has now secured £2.8 billion in private lending for either increasing the supply or improving the quality of affordable housing, so this is a real issue for what I would claim is probably the most successful social enterprise, apart from Dwâr Cymru, in all of Wales. We are very concerned about what these changes could mean for the future of those social enterprises.

Q150 Geraint Davies: If you have a tenant who can sustain current levels of rent but not with the extra £12 or whatever it is, the choice may be between having a rent that is cut by 12% and, possibly, having no rent at all. Presumably, if you evict all these people you will not have the people to put in, so you will end up in a worse financial situation in terms of going to the lenders to get the money. Either way, you are in a very difficult place in terms of getting money to build and sustain your business.

Duncan Forbes: Absolutely: that is the position we have been put in. However, we have a lot of people waiting for accommodation. We will fill the accommodation.

Q151 Geraint Davies: Are there people saying, “Perhaps we should let them have a bit of arrears”? Do you see what I mean?

Duncan Forbes: No, we could not afford to do that.

Nick Bennett: Last November we launched across Wales the “Your benefits are changing” campaign to make sure that people were really aware of the way in which this could affect them. To tell them, on the one hand, “Look, you’ve got to take notice of the way in which changes to housing benefit could affect your ability to have your rent paid for the future,” and, on the other hand, to have a no-evictions policy, would be to have signals pulling in different directions.

Antonia Forte: You are quite right to say that for an association like mine there will be a dilemma between accepting a lower rent and building up rent arrears and, potentially, having an empty property. But one of the things we have to do as housing professionals is to make sure that we treat people fairly. How do you make a judgment between somebody who is not paying their rent because they are affected by the bedroom tax or bedroom surcharge—or whatever it is called—and people who have rent arrears for other reasons? We are trying to have a level playing field so that tenants feel that they are being treated fairly, so
Nick Bennett: This is a real issue for us. We have computers. How have you communicated with them? Examples not having access to telephones or Davies said about some of the worst-hit areas of improvement. I would not want to give any signal of complacency.

[86x199] Nick Bennett: In terms of best practice, there is a lot of work going on between local authorities and the RSL sector across Wales. I have got some facts and figures. Seventy per cent of associations indicated that they are currently holding discussions with the relevant local authorities on the impact of welfare reform. There is a lot of good practice out there. In Gwent, for example, seven registered social landlords worked across five local authorities to set up the Gwent welfare reform group, where heads of service and RSL representatives have discussions on broad themes and look at information sharing, tenant profiling, joint working and communications.

Last year we set up the “Your benefits are changing” initiative. Fifty organisations have supported it so far. More recently, we have had some limited financial support from the Welsh Government, but some local authorities, such as Swansea, have really joined in. All their vans bear the logo. We are providing Facebook communications and lines for people to call us directly. This is some of the feedback that we are receiving. Only 10% of those we have surveyed think that moving is a realistic possibility for them, for a variety of reasons. Only 7% would consider taking on a lodger, for a range of reasons, including child safety and other factors. When I ask them whether, hand on heart, I think it is satisfactory. You always have to try as hard as possible, and I am sure there are always areas of improvement. I would not want to give any signal of complacency.

Q 152 Simon Hart: I have a couple of questions. We have, obviously, spent quite a lot of time talking about how housing associations and professionals are advising tenants in these circumstances. My first question is probably for Nick. Can you point us in the direction of any housing association or local authority that you think is a shining example of best practice in Wales? As a supplementary to that, could you put your hand on your heart and say that the relationship between local authorities and housing associations with regard to the manner in which they are managing this process is satisfactory, in your view?

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Q 153 Simon Hart: This is not a facetious comment, but I want to turn the clock back for a minute to what Duncan Forbes said about some of the worst-hit examples not having access to telephones or computers. How have you communicated with them?

Nick Bennett: This is a real issue for us. We have been trying to have a number of innovative measures over a number of years. Before this welfare reform began, we were shocked by the fact that 160,000 people in Wales were borrowing from doorstep lenders and 16,000 were borrowing from loan sharks. Those figures have gone up since the credit crunch, and a number of the victims happen to be social housing tenants. We fear that aspects of this—particularly the introduction of direct payments—will be a charter for the expansion of less responsible lending. There has always been a desire to communicate with tenants and to provide them with either the advice support or the financial products that they actually need.

Duncan Forbes: The answer is really to knock on people’s doors. We have 1,300 tenants affected by under-occupation. We had 60 staff out at different times in the last four months knocking on people’s doors to make sure they understood what was coming. We started the process of looking at their income and expenditure, working out how they might or might not be able to afford to pay and looking at rehousing options, whether they were willing to take a lodger, and all the other things that my colleagues have mentioned. There is no substitute for direct contact on the doorstep, because much of the time, written material does not get read—but it is very resource-intensive; it has cost a lot of money.

Q 154 Simon Hart: In your written evidence, you mentioned your concerns about the discretionary payments element of all of this. How would you like to see it unfold post 2013–14?

Duncan Forbes: The big problem with discretionary payments is the uncertainty in the long-term future. If I were someone with an adaptation getting discretionary housing payment for the year, I would still be looking at how I was going to solve the problem for the following year. Your uncertainty and anxiety is not removed by having discretionary housing payment, because of its discretionary nature. To be honest, the only substitute for that is that, if there is a belief that people who are getting discretionary housing payment need it, in a sense, they should be exempt from the under-occupation rules. That is the logical policy line: it is accepting that they should not have to make up the difference.

Q 155 Simon Hart: Antonia, you will be able to help with my last question. It is a more philosophical question, which came up when we took evidence in the Welsh Assembly yesterday from Carl Sargeant. Earlier you mentioned the potential for community disruption, which is something that concerns us whether we represent urban or rural seats; we went into that in some detail yesterday. However, I want to try to understand more clearly the distinction between the social housing element of that and the private rental sector element of that. Anybody from the private rental sector listening to this will say that they have to make these choices all the time about things such as upscaling, downscaling, following the work—moving out of areas into new areas, because that is where the work happens to be—and moving into a smaller house when the kids move away. Most people in the private sector simply take those things as a fact of life; that is what they have to do. My question to you is this. Please forgive me if I am putting words into your mouth, but are you suggesting that the taxpayer should subsidise the social housing sector to insulate people there from the sort of decisions that people in the private sector have to take every day? Surely that cannot be what you are saying.

Antonia Forte: No, it is not what we are saying; I am sorry if we gave that impression. There are a couple of things of that I would say. We do not agree that this is under-occupation. If you ask a family with two
children what kind of property they require, most people would accept that they need three bedrooms. The first thing we would say is that we do not necessarily agree with the criteria that suggest that they have extra bedrooms. Those of us who have been doing some new build have been building to a pattern book. Often we have been doing the pattern book with a furniture lay-out that shows that you can get only one single bed into a bedroom. Now people who occupy those houses are being told that they have to put in bunk beds. That is one thing we need to be clear about.

The other thing about the private sector is that our role as housing associations is not just about a landlord function; it is also about social cohesion and social and community support. We are providing job opportunities. Often we are making a link between ill health and housing, and helping with our health professionals. I am not sure I am answering your question, but I think that our role is different from that of the private sector. Also, if you look at terms of tenure—again, this is a huge generalisation, but generally it is fairly true—our tenants stay with us for much longer, so they are in it not only for the short haul but for the long haul.

Q 156 Mr Williams: I want to tackle the issue of discretionary housing payments. We talked about the post 2013–14 scenarios. Are you satisfied that all local authorities in Wales are clear about the criteria for the award of discretionary housing payments? I have heard concerns from various groups, not least disabled constituents, that it is not at all clear where local authorities will be able to help. I appreciate that the resources from Government are not sufficient—nowhere near enough—but there are some resources that local authorities could put to good use. I am not sure that the message is getting through to the people who need to be helped.

Duncan Forbes: We operate only in Torfaen, and things are certainly clear there. It is fair to say that it was all fairly last minute. The amount that the Government were awarding was announced only in late February, so there was probably only one council cabinet meeting between then and the beginning of the financial year. It is quite possible that some of them have not managed to get themselves sorted. Torfaen did. It took a report on 19 March, only 10 days before the start of the new year, essentially to say what the criteria would be. I suspect that will come out in the wash; I hope it will, anyway.

Chair: We are definitely starting to run behind again, so I appeal for fairly short questions and answers.

Q 157 Geraint Davies: To follow on from Simon Hart’s question, the House of Commons figures suggest that the level of under-occupancy is 10% in the social sector, 15% in the private rented sector and 49% in the owner-occupied sector, so in fact it is relatively efficient use of housing. Traditionally, houses have been provided for people who are vulnerable and in priority need—usually people with children—so they have been two and three-bedroom houses. When the children grow up and the parents die, obviously you recycle the houses, unlike what happens in the owner-occupied sector. In light of the previous paradigm, looking at it now, do you think that the Welsh Government have built too few smaller houses and units for single tenants? That is what is being suggested by some.

Shayne Hembrow: I do not think that is the case. What we have been building over the last 10 or 20 years has been in absolute response to the demand that we are getting.

Geraint Davies: And the life cycle of families and communities.

Shayne Hembrow: The demand is predominately for family houses. I think there is a growing need for smaller homes that has come through particularly over the last five years or so. When you look at the demographic changes in our population, there is a growing need for older persons’ accommodation, rather than smaller homes elsewhere. You will see there has been a growth in extra care schemes and other older persons’ schemes in response to that demographic change.

Q 158 Geraint Davies: Do you agree that, in so far as there is any problem of under-occupancy, it tends to be among people over 60, who are not affected by this?

Shayne Hembrow: Yes, I do believe that.

Q 159 Geraint Davies: There has apparently been a suggestion from the chairman of Redrow that “whole parts of Wales will become no-go areas for house building”. I assume that he is really referring to private sector house building. I understand that there is not that much activity in the private rented sector. Do you think that will put on even more pressure to build more social housing in Wales?

Shayne Hembrow: I think there is an issue around the lack of supply of housing across the board. We have gone from around 10,000 homes being built in Wales to around 5,000 homes being built in Wales. That is definitely going to increase demand for housing across all tenure ranges.

Q 160 Geraint Davies: M r Bennett mentioned some figures on doorstep lending and loan sharks. Is it possible to provide some of those figures for the Committee?

Nick Bennett: Yes.

Q 161 Geraint Davies: Secondly, has there been much evidence of the emergence of more mental health and behavioural problems, such as domestic violence, emerging from the anxieties surrounding debt and the prospect of debt?

Shayne Hembrow: A necdotaly, yes.

Antonia Forte: We certainly know that a number of health boards in Wales have set up welfare reform task groups specifically because they are concerned about the call on health services, mental health services, because of increased anxiety and domestic violence, and children’s services.

Guto Bebb: Just for the record, I would like to say that the Committee should have a look at the Public Accounts Committee’s report on doorstep lending, which showed, for example, that a six-day loan from
Wonga was actually cheaper than going into unauthorised overdraft with your own bank, even it is a high street bank. It is worth putting that on the record.

Chair: That may say more about the banks than about Wonga.

Q162 Guto Bebb: Going back to housing benefit, it is important to say that the whole point of the reforms is to try to make it easier for people to re-engage with the workplace. One of the changes that have been proposed to do that is the fact that people will receive their housing benefit themselves and will, therefore, be expected to pay social landlords. The social landlord sector is very concerned about that. Can you explain your concerns, and why you do not think that giving people responsibility for their own money is a good thing?

Duncan Forbes: I do not have a problem with giving people responsibility for their own money where that is going to work. I do have a problem when it is going to fail. The experience we have had from the demonstration project is that 30% to 40% of the tenants require long-term support to be able to cope with our arrangements now. If you look at the profile of our tenants who are on housing benefit, you see that 19% have been in institutions, 28% described themselves as being either mentally ill or depressed, and 58% have a disability or lifelong illness—so we are talking about a needy group of people. Only about 43% have IT and 20% or so identify themselves as having either literacy or numeracy problems, or both. Those are the people we house—people who are in quite significant need. Some of those people will not cope. 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, rather than providing them with a longer-term programme to support them on to that initiative.

Q163 Guto Bebb: On the specific issue, I think your association actually played a part in the DWP project. Duncan Forbes: Yes, we are in it now.

Q164 Guto Bebb: The arrears did increase quite dramatically. What sort of steps were you taking as a housing association to support those individuals who were falling into arrears?

Duncan Forbes: Gosh, we are doing a massive amount of support. Obviously we are working with a lot of the tenants on a one-to-one basis. We have referred them to Work programme. We also have a work support programme of our own. We help them with ICT classes. We help with self-confidence and self-esteem, through volunteering programmes. We do money management.

Q165 Guto Bebb: Specifically, if you went from £21,000 to £125,000 in four weeks, when was the initial contact made by the housing association? Duncan Forbes: We made initial contact before it started. We have always had contact with people, but we made specific contact with all the people in the project before they went in and worked through with them how it was going to work. Those figures need to be looked at carefully in the context in which they were quoted. It was partly around the fact that we are paid in arrears, as opposed to being paid in advance, which is what our tenancy requires. The actual increase in the level of arrears in that project group has been about fourfold so far, but the level of arrears is not capped; it is still going up. The uncertainty around the demonstration project for us is where it will finish.

Chair: I am very conscious of the time.

Q166 Guto Bebb: I have a quick question to finish with. It is probably one for Nick Bennett. As an association, you act on behalf of the entire sector in a Welsh context. Have you had any meaningful discussions with organisations that might be willing to provide jam jar accounts, for example? I was recently in discussions with the Post Office, which seems quite keen to develop the Post Office account into a sort of jam jar account. Have you had any meaningful discussions about that?

Nick Bennett: We have had more than meaningful discussions, Mr Bebb; we have had meaningful action. We set up Moneyline Cymru, which we will extend to north Wales shortly. So far there have been six pilot areas. It has made sure that at least 8,000 people have been able to turn to affordable credit providers and receive financial advice, rather than turn to the likes of Wonga and others, which—to go back to your previous point—intend to treble their universe on the back of direct payments.

Q167 Nia Griffith: I think you have covered most of the issues affecting landlords and social landlords. Is there a danger that you could actually lose some staff who are providing the support because of lack of income from the rents that you should be getting?

Shayne Hembrow: I think it is a danger. It is something we are all very keen to avoid, because we have all appointed additional staff. Essentially, it depends on the level of arrears.

Antonia Forte: In fact, the money for our extra three members of staff this year has had to come from our planned maintenance programme.

Q168 Jonathan Edwards: In Northern Ireland, of course, direct payments will continue, because there they have the powers to administer the benefit system. Do you think the Welsh Government should be seeking similar powers to alleviate the concerns that you have just raised?

Nick Bennett: Yes, and we have provided evidence to the Silk Commission to support that. We noted that the Minister said that he did not want devolution without finance. There is no question but that direct payments are an example of that.

Chair: Thank you very much for that short answer.

Q169 Jessica Morden: If one of the aims of this policy is to save money, do you think that, potentially, the policy could cost more in the long run through emergency housing costs to councils and increased rents to private renters?

Nick Bennett: Yes.
Antonia Forte: In the area where we work, we have looked at what the cost of a private sector property would be. If you downsized from one of our three-bed properties to a two-bed property in the private sector, you would actually end up paying more.

Chair: Thank you very much for that and for those brief last responses. We are very grateful to you all for coming along this morning.

Examination of Witnesses


Chair: Thank you very much for coming along this morning. I am sorry that we have overrun a little bit, but we will get back on track now. We will start with Geraint Davies.

Q170 Geraint Davies: The cost of housing benefit has doubled in the last 10 years or so. We are told that something like 70% of that is due to private sector rent growth, and the fact that not enough social housing is being built. Do you think that the way forward now being promoted is the right approach? How do you think that housing benefit cost should be confronted?

Richard Lambert: As an organisation, the National Landlords Association accepts the principles that underpin welfare reform, but we are concerned that some of the policies emerging from those principles do not fully take account of the practicalities that will result on the ground. I think that it remains to be seen whether the reform will actually lead to a reduction in the overall housing benefit bill, or whether it will simply curtail the rate of increase.

Q171 Geraint Davies: Just so that we have some idea of the numbers, do you know what proportion of tenants in private rented accommodation receives housing benefit in Wales?

Douglas Haig: It is about 21%.

Q172 Geraint Davies: As a matter of interest, how does that compare with England? Do you know whether it is higher or lower?

Richard Lambert: I think the proportion of tenants in the private sector on housing benefit is higher in Wales than in England.

Q173 Geraint Davies: If, as we are hearing, there is an outflow of people from large accommodation in Wales, is the private rented sector in a position to cope with that extra demand? What do you think would be the impact on rents?

Lee Cecil: You have two markets in Wales. There is the historic industrial market, where the open market rate is exactly the same as local housing allowance—places such as Maerdy and Aberdare. Then there are major conurbations with jobs and growth. As I describe it, there are two types of landlord in the landlord world. There is the old private rented sector self-managed landlord, who has had properties for, in our case, 40 years plus, but has not bought anything for 39 years. Then there is the newer breed since 1996, with the buy-to-let products and the surge in investor-type landlords. It is down to choice. People have a lot of choice in more affluent areas and not so much choice in less affluent areas.

Q174 Geraint Davies: But does the private sector have the capacity to cope with a lot of people going into it? We are told that there is a large amount of under-occupancy in Wales, in particular, because of the history of Wales. Obviously the hope is that, if people choose to go to the private rented sector, people in the private rented sector on the waiting list will come back the other way. In terms of how Wales works, if you like, is that likely to happen, or is the private rented sector likely to overheat and leave voids in the social sector?

Lee Cecil: Speaking as a Welshman as well, I can say that some people are parochial. They have been brought up in the place where their friends and family were brought up generationally, through to the coal mines, steel or whatever. They are not used to mobility, as perhaps we in this room today are, so they will wish to stay in that environment. I worked down the road in the square mile of the City of London for 16 years and have been back in Wales for 10, so I see it from two sides. When I was at my desk at half-past 7 in the morning in the City and went home to Wales every Friday, people thought I was barking mad to get up so early to be at work at half-past 7. They were not used to travelling. Now I see people travelling from Merthyr along good infrastructure roads to Cardiff and Newport—places where the jobs are—so change will not happen overnight. People who have the attitude to change and look for work will do so, whether that is in Wales or outside Wales.

Q175 Guto Bebb: I have one simple question, because you have already answered one of the questions that I had intended to ask. In terms of the changes as a concept, and the rules in relation to the size of property that can be supported by housing benefit that are being imposed on the social sector and have already been dealt with by private sector landlords in Wales, do you think it is fair that there is a level playing field, or do you think that there is a problem with the policy of having the same rules for both sectors?

Douglas Haig: I think that is what needed to happen. We can answer both questions at the same time. What is needed is a level playing field. It is not just about the occupancy allowances; it is about the whole
market. To go back slightly, it is not just about whether there is capacity for the private rented sector to take on some of the overflow from the social sector; it is also about whether there is an appetite for it. There needs to be a balance in the way in which things are dealt with in the two sectors. Having parity between the social sector and the private rented sector will enable a shift from one to the other.

Q 176 Guto Bebb: In my constituency of Aberconwy, roughly 50% of housing benefit claimants are in the private sector and 50% are in the social sector, so obviously I understand the importance of the private sector to that issue. Do you think that private sector landlords in Wales are more efficient than their social sector equivalents?

Lee Cecil: They probably do it for less money, but efficiency is down to the management of the individual and the individual company. To me, going back to Wales, there are too many labels: social landlord, private landlord, social tenant and private tenant. They are people, and they are landlords. I would rather cut right across the treacle and get down to the issue on the bottom line. The bottom line is that we do not have enough supply. Some of the under-occupancy you mentioned is just the supply being in the wrong area. Social landlords in Gurnos in Merthyr, for example, used to run at a void rate of 10% to 15% empties. I said, "Why are you going to the expense of maintaining these empty properties if no one wants to live there?" They said, "People in Merthyr want to live there." I said, "They obviously don't." If you are from Merthyr, you might not want to go to Gurnos.

Q 177 Jessica Morden: A term a property investor—who is looking globally, not just in Wales, for partners to get into bed with. I term a property investor—who is looking globally, what may be good or bad. However, you have a different type of landlord with a business that is liquid—what I term a property investor—who is looking globally, not just in Wales. I term a property investor—who is looking globally, who is happy running their business in that way; they may be good or bad. However, you have a different type of landlord with a business that is liquid—what I term a property investor—who is looking globally, not just in Wales.

Q 178 Jessica Morden: So a lot of work was done in preparation for it, but it did not apply to people who were already in tenancies. It was applied to new tenancies.

Lee Cecil: Yes, to new tenancies. It was then going to be changed over time.

Q 179 Chair: Was it phased in over a period for all tenants?

Douglas Haig: It was up to nine months after the renewal date of their claim.

Q 180 Chair: So eventually it affected all tenancies.

Douglas Haig: All tenancies are now on it.

Q 181 Nia Griffith: One of the rationales that have been put to us by the Government is that this will somehow reduce rent bills. Do you think the rents will go down in your sector as a result of these reforms?

Richard Lambert: Overall I think I would say no. I think the policy is based on something of a misnomer, in that it is assumed that rents have gone up to match the ability of housing benefit to pay. What we are doing is saying rents up is the shortage of supply compared with the demand in the market. We have seen that across the whole of the rented sector. In that sense, reducing the ability to pay through housing benefit will not automatically bring down rents. What you will certainly see is negotiation between individual landlords and tenants to see whether there is some degree of compromise on the current rent level, to bring it down to a lower level to accommodate that—but overall, no, I do not think it will bring rents down.

Douglas Haig: It also depends on the situation geographically. In the cities it will not have an impact at all; I would be very surprised if it did. In areas that Lee has already mentioned, where people are predominantly on housing benefit, it may have, but I think it would be based on negotiation.

Lee Cecil: I suggest that you consider a different question. It is along the same lines, about cost. In one council, which I will obviously not mention, it costs £32 per night to house a single person for one night
in a B and B that is not very palatial, to say the least. In another equal council, it costs £64 a night. That equates to £1,000 to £2,000 rental per month of taxpayers’ money wasted. I am suggesting that in Wales we could easily have a partnership to say, “Okay, you have a waiting list as long as your arm. It’s for this. Could we partner with you? We will then supply it, along with social landlords, for the betterment of that community.”

Q182 Nia Griffith: Has the decision to bring in that 30% cut-off—in other words, to say that housing benefit tenants have to have properties in the lowest 30%—affected Wales worse than England, because we do not have so many people in the private rented sector in the higher income brackets?

Lee Cecil: I will cite Merthyr again, because it is a recent current example. The NLA holds branch meetings throughout the UK; we hold one in Merthyr. Vince Botham, my southern representative, chairs that. I never thought that in my lifetime I would see good landlords in Merthyr say, “We are not taking people on housing benefit any more. We tried it with direct payments, and it was good and bad. We do not need to any more, because the demand on the street is from working people who want to live in rental; perhaps they would like to own a home, but they cannot afford it.”

Q183 Nia Griffith: Can you tell us your views on people saying that there should be a cap on rents? Do you think there should be any way of agreeing rents?

Douglas Haig: Is this effectively rent control, rather than a cap on the total?

Chair: Yes.

Douglas Haig: I think rent control would be a complete disaster.


Douglas Haig: They have done it time and time again.

Chair: There may be some disagreement on that on the Committee.

Q184 Nia Griffith: Can you explain why? I think it is important.

Richard Lambert: The history of rent control through the 20th century shows that, if you introduce rent control, landlords cannot make the returns on their property that they require. Remember that in the private sector the landlords are in this first and foremost as an investment for profit. The social good of the housing comes out of that investment decision. If they cannot make the return they need, they will look elsewhere. What you saw over the 20th century was decline in the rented sector as rents were tightened and people could not make that return. It is only since deregulation that we have seen the increase in the private rented sector. I would expect that, if rent controls were introduced, people would decide that the risk of renting was too great, and they would move elsewhere. It would also scare off the institutions, because they would feel that it was too politically uncertain to look at an investment in the long term.

Q185 Jonathan Edwards: We are obviously going to disagree on this one, from my political persuasion, but, if the Government’s primary motive is to reduce their housing benefit bill, surely rent caps would be a better way of doing it, because then they would have direct control over the housing benefit bill, rather than trying to rely on market forces, which seems to me to be what they are doing at the moment?

Douglas Haig: The rent increases in Wales are nowhere near what—

Q186 Jonathan Edwards: London is the problem, isn’t it?

Douglas Haig: London always skews things. They like to throw London into the mix and say that all the rents have gone sky-high and way above inflation. That is just not the case in Wales. It is not far off an inflationary increase and, in many areas in Wales, it has actually decreased.

Q187 Jonathan Edwards: London would be the issue. But places such as New York and Ireland have rent caps.

Douglas Haig: But, if we are focusing on Wales, you will just get disinvestment in the properties. You want an increase in energy efficiency in the properties, an increase in management standards in the properties and an increase in the general quality of the housing—but you also want to cap how much people are making on those properties. You have to remember who your average landlord is. Most landlords only own one property, either because they have been left it or because it is an investment for the future, because there will not be any pension by the time that I retire. It is just people trying to make a provision. If you are trying to get them to invest in this for the long term, rent caps will be the worst way to encourage that.

Richard Lambert: If you cap rents you will reduce supply, because landlords will leave the sector. Therefore, there will again be more people chasing fewer properties, which will keep the levels of rent up.

Q188 Chair: Wouldn’t those properties end up on the market being sold? Wouldn’t that decrease the price of property and make it more affordable? I instinctively share your view, but I can see an alternative economic point.

Richard Lambert: That is possible, and I can see that that would be good for those who are looking to try to buy. Equally, if the housing market were flooded with lots of properties, it would have an impact on the whole housing market and bring down the value of the houses that people already own. That creates its own political difficulties.

Douglas Haig: If you look at the status of a lot of people with negative equity in their housing at the moment, they would not be able to afford to sell those houses. The consequence of that is they simply would not spend any money on those houses.

Q189 Mr Williams: I return to direct payment of housing benefit. You touched on this earlier, thinking back to April 2008 and the experience of the private sector. You talked about partnership and the use of pilots then. Are there any other lessons that you as
organisations feel could usefully be taken up by Government now, after that earlier experience?

Douglas Haig: I think that we have to look at tenant choice. There are people out there who know that they simply cannot maintain rent payments—they simply cannot budget to be able to do that. Tenant choice has to be the primary thing: it is about increasing that. At the moment, the private sector is slightly disjointed from the third sector. It comes back to the point that we need to smooth the transition between social housing and private sector housing, to make it appear that there is no difference from one sector to the other for the tenant. Housing associations do a great job in their ancillary support, not just in terms of housing; a lot of them have debt management, community services and things like that. Those are the sorts of services that need to be transported across and used in the private sector as well. You will sustain tenancies a lot better if you start to look at that.

Richard Lambert: Direct payment gives the landlord the confidence that the rent will be covered, so the first thing that will happen is that there will be an increase in the level of uncertainty. One of the things that the social sector will have to learn from what the private sector has done is that it needs to have a much greater understanding of the individual circumstances of their tenants; I think that was reflected in the evidence you were given previously. I think there will need to be much tighter credit control. One of our deputy chairmen always says that one of the lessons she has brought from her wider business life into her renting activities is the need to keep a tight rein on credit. I think it would be important to work with credit unions with jam jar accounts. There may be things that can be done, such as aligning the date of rental payment with the date of the benefit or credit payment, so that there is less lag between the two. The other thing is greater interaction with local authorities. Local authorities could do a lot to support sustaining tenancies by working with the tenants and the landlords to make sure that everyone understands what is involved, what is needed and how you continue that relationship in an effective way to make sure that the individual and the household remain in their home.

Q190 Mr Williams: Can you tell me a bit more about the survey you undertook in which 45% of those landlords reluctant to rent to tenants receiving housing benefit expressed a concern about the guarantee of payment?

Richard Lambert: We did two surveys last year, in March and September, asking for views on welfare reform. The opinion came back that most of them felt very much that direct payment is the reassurance they have that they will be paid if they are housing tenants on benefit. That is what gives them the confidence to take on people who are potentially some of the most vulnerable, chaotic people in society. If they know they’ve got the rent paid, they can make sure that the tenancy works its way through. They are now becoming concerned about the increase in their risk. Remember that a landlord, particularly a buy-to-let landlord, may be only two or three missed rental payments away from the property being repossessed because they cannot pay the lender. If you add into that an increasing supply of tenants who are not dependent on housing benefit to pay the rent, there is a straightforward commercial decision: which is the least risky option to go for?

Douglas Haig: We also did a survey for the Residential Landlords Association: 91.6% of our landlords said that they would be less likely to rent to people on benefits if the back-stop of direct payments became discretionary as opposed to mandatory.

Lee Cecil: You also have to look at the bigger picture. Obviously you have talked to financial institutions that would be concerned about lending to social landlords, and equally to private landlords, if there were no security of revenue. But then, if you partner with the public sector and say, “You have a huge demand for this type of client. Surely we can work together and do private sector leasing schemes. This contract is not new; it has been used successfully in many places,” you have security of tenure for the tenant, the institutions are happy that it is a safe, less risky investment and you are solving the supply issue.

Q191 Geraint Davies: I appreciate what you have just said, but isn’t it ultimately the case that, if the tenant has less money and they, rather than the landlord—whether social or private—gets the rent directly, there is more risk? The Government are banking on the private sector taking up the slack and taking the transfers. Basically, you will be required to accommodate people who are coming out. The idea is that you have these people who cannot pay their rent and they come to you for smaller housing. Is there really an appetite in the private rented sector to take on those people if you are not going to get the rent in your hand? Lee Cecil: No landlord is going to take them, are they?

Richard Lambert: The private rented sector is a market. If there is a market opportunity, people will look at that. What we have seen over the past couple of years in the regular surveys that we do of landlords across the UK is that the benefits sector has increasingly become the province of more experienced landlords. We find that the greater proportion of tenants claiming benefit are renting from landlords who have 10 or 20-plus properties, because they have been in the business longer, they are the people who can spot the properties on which you can make the kind of return they are looking for on the kind of rents that they will be able to get, and they have the experience to manage some of these tenancies. As I said, some of the benefit claimants who are in the private rented sector are very vulnerable, with very chaotic lives, and demand more intensive management from a landlord’s perspective to make sure that the tenancy runs smoothly.

Q192 Geraint Davies: That is what I was getting at. If you are a landlord, you would be doing well if you were making 10%.

Douglas Haig: Extremely well.

Q193 Geraint Davies: If you have a month’s void or something, and you have to do an eviction and all the
rest of it, you make no money. It is just not a very attractive business proposition to take on people who have had difficulties in the social sector, are being paid the rent direct and are supposed to give you the rent. You would be bonkers to take that on, wouldn’t you? So the private rented sector is not going to take up the slack.

Richard Lambert: It will take up an element of the slack. We already know that, because we know that many of our members do operate in that sector. Again, it is a question of whether you are able to manage it, and what gives you the confidence to manage it. Something like 22% of all benefit claimants in the private rented sector are now having their rent paid directly to the landlord, so it is only a relatively small group within the private rented sector overall, but those are the people who possibly present the greatest challenges, with whom the landlord does need that level of confidence. One of the things we have seen come out of the DWP in recent weeks is the proposal for the alternative payment arrangement, which is the new form of direct payment. That will be offered on an individual basis either when the tenant is extremely vulnerable— when they meet one of the criteria for vulnerability—or when arrears emerge, but it is time-limited, discretionary and reviewable after six months, with the expectation that as soon as possible the tenant will go back to direct control of the rent.

Geraint Davies: Is your message that you want the rent directly?

Chair: Mr Davies, Mr Lambert, I am sorry, but I will have to cut off other members if this carries on, important though it is.

Q194 Jonathan Edwards: Based on your experiences in the private rented sector and the changes to local housing allowance, do you think that the policy for the social rented sector will lead to an increase in arrears, as much of the evidence we have received seems to suggest?

Richard Lambert: Yes.

Lee Cecil: Yes.

Douglas Haig: Yes, without a doubt. I feel quite sorry for the social sector at the moment because of what they will have to face. We have had experience of this for a while, and we have had to get the good credit profiles in place; it is a risk option that we have to take. Without the back-stop, it will reduce the appetite of landlords, because there has always been the security that you know that in most cases, after eight weeks in arrears, you can get that money. You then have to work on some basis to ensure that you can get the tenant to pay. That is very hard, because these people have very little spare cash to be able to pay any rent arrears.

Q195 Jonathan Edwards: Do you think there is any merit in the Government’s argument that this will actually help to improve tenants’ financial capability and budgeting skills, or is it not worth the gamble?

Douglas Haig: I support the notion entirely. We have to get to a point where people are more responsible for themselves and their financial control. I am in the benefits sector myself, and sometimes you tell people, “Your benefit payments have stopped because you haven’t been in to fill in the latest form,” and they say, “Well, the council needs to deal with that.” I have to say, “No, it is not the council’s responsibility—it’s your rent, which you have to pay, and this is a mechanism by which you pay that rent.” Yes, we have to break down these barriers, but not by just switching over at the speed at which we are trying to do that. The definition of vulnerability is sketchy and does not include a lot of people who, in my experience on a day-to-day basis, could be included. Direct payments will no longer be made for them.

Richard Lambert: It may help financial inclusion for some, but we should not underestimate the budgeting abilities of many of the people who live on housing benefit in the private rented sector. I have stories from our members about tenants who almost know the point in the evening when they have to go to bed to conserve power so that the electricity bill does not tip over to a point where they cannot pay. Many people who are living on low incomes are incredibly good at budgeting, because circumstances force them to be so.

Chair: Order. Thank you all very much for coming in this morning. We will reflect very carefully on what you have said to us.

Geraint Davies: Is the message that the private rental sector is asking that direct payments be made from tenants in order to provide the supply that is needed?

Chair: I closed the meeting at 11 o’clock. You have made a very good series of points. Feel free to discuss them with members afterwards.
Tuesday 14 May 2013

Members present:
David T. C. Davies (Chair)
Guto Bebb
Geraint Davies
Glyn Davies
Stephen Doughty
Jonathan Edwards
Simon Hart
Jessica Morden
Mr Mark Williams

Examination of Witnesses

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

Chair: Good morning. Lord Freud, thank you very much indeed for coming along this morning. I am David Davies, the Chair of the Select Committee. We are looking forward to a good and constructive session on this issue, which has been the source of a certain amount of controversy. May I start by asking Geraint Davies to ask the first of our questions?

Q196 Geraint Davies: Lord Freud, the cost of housing benefit, as you know, has more than doubled, which is one of the main drivers for these changes. Do you appreciate that 70% of that increase in cost comes from the private rented sector, due to higher rents? Would it not be a better strategy just to increase the number of new social houses?

Lord Freud: May I first introduce my colleagues? Martin King is my private secretary; his job is to make sure that my papers are in order. Geoff Scammell is a senior member of the Department’s housing policy team, so I might get him to do various technical bits and pieces.

As for the breakdown of the growth in the housing benefit bill, it has gone up; it has roughly doubled—£6 billion. The breakdown is that, of the extra £12.6 billion, roughly half is inflation.

Q197 Geraint Davies: We have been told that 70% of it is mainly growth from private sector growth. My concern is this. In Swansea, for example, if we move someone from a three-bedroom social house to a two-bedroom private sector house, the rent will increase by 49%, so the housing benefit will go up, not down. Would it not be better to cap rents?

Lord Freud: If you look at it simply on the basis of the one-off transfer, clearly you are absolutely correct that it goes up. It tends to be a bit higher in the private sector than in the social sector, but you have to look at the whole picture.

If we take someone who is single and on their own out of a three-bedroom place and put them in a one-bedroom place, we then free up that three-bedroom place, perhaps for someone whom we had to put in temporary accommodation or in the private sector, so when you look at the whole transaction there is a saving.

Q198 Geraint Davies: If I may, I shall pursue this point. I appreciate that, but, historically, 70% of the rise is from the private rented sector. We have not built enough houses.

A woman came to me last week and said that she had been on the waiting list for 11 years to move from a two-bedroom flat to a one-bedroom flat, but she could not move, simply because there are no one-bedroom flats. In fact there are only 400 in Wales, and three local authorities do not have any at all. She is now facing the bedroom tax. Do you think that that is fair?

Lord Freud: Our latest figures show that roughly 25% of the social housing stock in Wales is one-bedroom housing.

Q199 Geraint Davies: They are not available. They are occupied, aren’t they?

Lord Freud: They may be occupied, but people can clearly switch.

Q200 Geraint Davies: They are full. Who is going to switch from a one-bedroom flat?

Lord Freud: There are some people who are overcrowded. Our figures for overcrowding across the whole of Great Britain show that about a quarter of a million people are overcrowded. In Wales that is 10,000 households. There are some people wanting to go into larger accommodation, and they could switch around. The biggest growth in Wales in this area is in private housing, which has proved to be more flexible than social housing.

Q201 Geraint Davies: Minister, the level of under-occupancy in the social sector in the UK is 10%, in the private rented sector it is 15%, and in the owner-occupied sector it is 49%, so it is not really a problem. We have been building two and three-bedroom houses for people with children, and when they grow up and their parents die we recycle the houses in the social housing sector, so there is not so much of a problem. You are now forcing local authorities to try to build one-bedroom houses for single people, but at the moment they do not exist, and people are being penalised because they cannot move into them even if they wanted to.

Lord Freud: They are building one-bedroom homes, and 25% of the stock is one-bedroom—
Q202 Geraint Davies: They are full.
Lord Freud: You say that they are not building, but they are building them: 25% are being built.

Q203 Jonathan Edwards: We are projecting that the housing benefit bill is going to increase substantially despite the benefit cap, despite the real-terms cut in annual uprating and despite the under-occupancy charge. The reason for that, of course, is that there is more inflation in the private rented sector than in the public sector. That is now going to be fuelled by the second home subsidy announced in the Budget. Would it not be better to introduce a policy of capping rents in the private sector, as they do very successfully in places like New York and the Republic of Ireland, rather than puntingly attacking those in receipt of housing benefit?

Lord Freud: Our projections for housing benefit currently stand at £24 billion. Without a series of measures in both the private and the social area. Our prediction is that it will go up in two years’ time to £26 billion, and our measures are basically going to contain it. We are not talking about huge cuts. We are talking about containment; it is a £2 billion cut. The problem with running a capping policy is that you cut off the supply. One of the things that has been most valuable to this country since the recession is that the private sector has proved so flexible. We have had an enormous increase in provision where people needed that support. One would have to look very carefully at any policies that undermined that provision. Since we began the LHA controls—the process was completed last December—private sector provision in Wales has gone up by 9%, despite us getting some control over those figures.

Q204 Stephen Doughty: Lord Freud, a moment ago you talked about the ease with which you felt that people could switch, and about overcrowding and under-occupancy, and suggested that, if there was some sort of magic switch-around, the allocative inefficiency in the system could be removed. I have spoken to a number of social landlords in my constituency, and gone through with them in great detail the methods by which they are trying to move tenants around to ensure the most efficient use of their properties, and in the end the figures just do not add up. There are not the properties for people to move into—they cannot move around—yet they are going to be hit by the bedroom tax. They are using everything—Facebook groups, and housing officers actively going out and saying, “Would you move from here to there?”—but the reality is that there are just not the right number of right-sized properties to go round for their tenants. What do you have to say to housing associations like that, which are trying to do everything in their power to remove the inefficiencies?

Lord Freud: We are monitoring this very closely indeed around the country. We are currently talking intensively to 80 different authorities, just to get a flavour of what is happening.

Q205 Stephen Doughty: What are they saying to you?

Lord Freud: I have not assembled it yet, but we are currently working on it. I shall keep what we are gathering until we have it in a state to publish it.

Q206 Stephen Doughty: Would you write to us and perhaps give us the responses from the associations in Wales?

Lord Freud: I shall look into that.

Q207 Jessica Morden: I agree with my colleague that all the evidence that we have had so far in this inquiry is that there is a chronic lack of smaller properties in Wales. For somewhere like London the problem would be a lack of family properties, but in Wales the opposite is the case. Do you accept that this will have a huge impact in Wales? If people cannot get into smaller properties they will end up going into the private rented sector, which, as we heard from my colleague earlier, will end up costing a lot more?

Lord Freud: As I was trying to say, it will not cost a lot more because we are using the private sector in order to have a more efficient overall allocation. When you look at the whole of the transaction—in other words, filling a larger place with people who might have been in very expensive larger private accommodation—that is correct. The costs should not run away.

Q208 Jessica Morden: Some of the evidence that we have had from housing associations is that all the private housing accommodation was more expensive than the social rented accommodation in their local authority areas—all of it.

Lord Freud: Yes, but that is not the point that I am trying to say, that 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.

Q209 Chair: Do you have figures for what you think will be saved overall?

Lord Freud: Yes. Our estimate is that we will save approximately £500 million in each of the two years.

Q210 Glyn Davies: Good morning, Lord Freud. There are two general objectives of the changes in housing benefit. One is to save some money. The other is a more efficient use of the housing stock. You only save money, of course, if people stay where they are. If there is a more efficient use of housing stock, that is very good but it will not save any money. You will have done research on what will happen. What financial savings do you hope to achieve in Wales by what you predict will be the overall movement resulting from these changes?

Lord Freud: I am not utterly convinced it is broken down into; I can have a look for it and write to you. I am not even sure whether we have broken it down generally to that level. I shall write to you, but I may not be able to provide the precise figures.
Lord Freud: We would support that very much. Indeed, this is the thinking behind the substantial increase in discretionary housing payments, a substantial amount of which we would expect to go to transition costs as opposed to long-term support. Some people will need long-term support, but over this spending review period we have increased DHPs across the country to £360 million. Payments this year are £150 million. Payments in Wales will be just short of £8 million in the current year.

Q212 Glyn Davies: Do you see the changes in housing benefit leading to behavioural change in people in the rented sector? At the moment there is often an assumption that, when people move into a social rented house, that is their house for life. That is particularly so if people in the social housing sector feel that, although they have a larger house than is needed for a young family with one child, the number of children may increase, and they want to avoid another move. Are we looking for a behavioural change whereby people accept that they are going to have to move, depending on the size of their family, throughout their lives?

Lord Freud: What we are really saying is that there is a differential in treatment between the people we support in the private rented sector and those in the social rented sector, in that we pay people in the private sector according to their family size, but we have not been doing that with the social sector. We are trying to bring that treatment much closer together.

In practice, people who are not dependent on the state have to make decisions about where they can afford to live. It is one of the most key sets of decisions for individuals to balance their aspirations with what they can afford, and people spend a lot of time worrying about that. We are looking to have the same sets of ways of thinking in the social sector for people who are benefit recipients.

Q213 Glyn Davies: The issue of behavioural change is interesting. We have seen the presentation of this issue, certainly on the media in Wales I have seen it three or four times, with a widow living in a large house who has always lived there. Her husband has died. What right do we have to persuade this woman to move from her three-bedroom house where she has always lived? This issue is going to be difficult to challenge in terms of what people are to do in that situation—although it is accepted that behavioural change is needed, and that there probably will be moves whereby people adapt to their position as life goes on.

Lord Freud: One of the key factors is that we are making this change only for those of working age, not for pensioners—because it is actually quite tough to ask older people to make these kinds of adjustments. It is important that we make these adjustments—behavioural adjustments, if you like—at a time when people can make them and actually handle them. That is why we are doing it for those of working age. Basically, everyone would like the biggest, nicest possible house that they could have, but there is an affordability issue. For the state there is a definite affordability issue at the moment, because we are still struggling with the most enormous deficit.

Q214 Glyn Davies: Just one small point: why are the figures for under-occupancy in Wales higher than in the rest of the United Kingdom? Do you have any idea why that would be the case?

Lord Freud: You are asking about the fact that 46% of people are affected.

Glyn Davies: Yes.

Lord Freud: I suspect that this is demographics. What we are seeing in the main is that the people affected are clearly people who are single, not people with families. When you look at the age-related groups, 360,000 of those affected—well over half—are between 45 and the state pension age. It is an age thing, and that is probably because of the demographics of Wales relative to the rest of the country.

Q215 Jessica Morden: Could you clarify your response to Glyn Davies earlier? I did not quite understand it. Your own impact assessment says that you will only reach the projected savings if people, effectively, stay put and pay up. How is that consistent with the fact that you want this policy to lead to the more effective use of your housing stock overall?

Lord Freud: There have been various surveys done on how many people will want to move. The best estimate that has come out of those is that roughly 25% will want to move. A reasonable proportion will find funding, either going to work or having the resources, and some will look for other ways, like taking a lodger or sharing—something like that. There is a range of responses that surveys have indicated will emerge.

Q216 Mr Williams: I want to turn to some of the specifics, which I suspect all colleagues are hearing about in their surgeries from certain groups in society. In particular, there is the issue of young children sharing bedrooms, and the appropriateness of that for the children. I shall quote from the National Housing Federation on its concerns about bedroom sizes and suitability for sharing. It says, “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.” It strikes me that some of the requirements are very blunt instruments, indeed for some of the families that we are concerned about. In one of my towns I found myself in the invidious position of going around with a measuring stick trying to work out whether a boxroom could be a bedroom, let alone one for two 15-year-old boys. What guidelines are there for...
landlords and tenants on the appropriate size of bedrooms, given the rules that we have now put in place.

**Lord Freud:** We have deliberately not gone in with a set of criteria, because in the end that would be an incredible administrative burden. There may well be some apartments or houses that, when looked at closely, can be redesignated. 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-bedder but is really a two-bedder. 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. We would not expect it to be gamed, but we would expect some apartments to be looked at again. Where the configuration is not suitable for a particular family, again that is where one can look at exchanges, to make sure that you get the right configuration. It is very much the responsibility of the family, when they get an offer, to look at something that works for their family size and context.

**Q217 Mr Williams:** I respectfully suggest that in a rural area—a subject that we will come to later—the problem with that is the availability of that accommodation, or, quite frankly, any accommodation. I turn now to provision for disabled tenants. Housing associations have told us that they cannot afford to adapt accommodation for disabled tenants if they have to move, as they have already spent money on the original property. Again, we can all cite examples from our constituencies of extensive work and adaptations made for people. I appreciate what the Government have said about extra provision and allowing an extra room to be utilised for a carer who stays overnight, but many disabled constituents, for various reasons—a partner might need to sleep in a separate room, or it might be the nature of their illness—require an extra room. So far, that does not seem to have been factored in to what the Government are saying.

**Lord Freud:** What we have factored in is what happens where there are significantly adapted homes. We have put £25 million in this year, and by assumption thereafter, so that those people can be supported in those adapted homes, because it simply does not make sense to take someone out of a home and then put in all those adaptations somewhere else. Our figure for the whole of the country is that about 35,000 people are in that category.

**Q218 Mr Williams:** But you would accept that £25 million is a small sum given the enormity of the problem. At the time when that announcement was made, the characterisation was that disabled people per se would be in a position to be helped. That is not going to help many people with disability adaptations, is it? It is only a small proportion. Admittedly it is a decision for the local authority, but it is still a drop in the ocean of what is required, even for housing with adaptations.

**Lord Freud:** The support was specifically for housing with significant adaptations.
Lord Freud: Private tenancies tend to roll over every year and are renewed. The LHA came in during 2008 under the last Government; it was as people fell out of their existing tenancies and went into the LHA when they renewed. I think that there is a residue left under the old system, but most people have switched over.

Q 225 Jessica Morden: So it was not for existing tenants.
Lord Freud: It went as they switched over.

Q 224 Jessica Morden: You talked earlier about the possibility of people taking in lodgers. Do you appreciate that for a family with small children this may not be an acceptable thing to do?
Lord Freud: Yes, but the number of families with children affected is a relatively small proportion of the total—70,000 couples with children.

Q 225 Jessica Morden: That is quite a large number.
Lord Freud: Then we have 150,000 lone parents.

Q 226 Jessica Morden: Then we have 150,000 lone parents. Of single people under 60, there are 320,000, and there are another 50,000 aged over 60.

Q 227 Jessica Morden: What would the solutions be for families with small children?
Lord Freud: To earn money. It may be that one needs to look at finding more suitable accommodation, and there might be a switch in categories where there is a plentiful supply. By definition they need more than one bedroom, and the shortage is in one-bedroom accommodation, so there may be some switching that can be done there.

Q 228 Jessica Morden: Money—could you elaborate on the money?
Lord Freud: People could go out to work.

Q 229 Jessica Morden: You said earlier that this would be a tough policy to bring in. For, say, pensioners. Do you appreciate that it might be tough for families with small children, who might have their children settled in school with family support networks around them, and that it will be very difficult if they cannot find the extra £12 a week? Many of the low-income families in my constituency are going to find that quite hard. To uproot and move out would be extremely tough as well.

Lord Freud: I am not necessarily talking about uprooting. There may be switching within their locality, and that indeed is what a lot of social housing landlords are arranging.

Q 230 Jessica Morden: We talked earlier about the chronic shortage in Wales of smaller accommodation, and there is a real problem with people being able to do that.

Q 231 Jessica Morden: Do you accept that this is an extremely harrowing policy for families and for the disabled people that we mentioned earlier, and that it will have a real personal human impact on people?

Lord Freud: Yes, but the number of families with children affected is a relatively small proportion of the total—70,000 couples with children.

Q 232 Chair: I see that colleagues are desperate to ask some quick questions, but may I chuck one in now—perhaps a slightly more helpful one?

Q 233 Stephen Doughty: This is a small practical question. In a number of your answers so far, Lord Freud, you do not appear to have the specific figures relating to Wales. As you are before the Welsh Affairs Committee, I would have expected you to have them. These are huge decisions that you are making, and obviously there are some very particular circumstances in Wales. Could you provide us later with an understanding of these detailed figures, on which you are making the quite grand assumptions...
that underpin this policy? I am a bit worried that you do not appear to have a grasp of the detail on some of these questions.

Lord Freud: I rather resentfully refute that. I have provided a lot of very specific Welsh particulars. When I have not been able to, it is because they do not exist.

Q234 Stephen Doughty: Surely they should exist.

Lord Freud: There was only one instance when I could not give a figure. I have a breakdown between one bedroom and more, but I do not have a breakdown between two and three bedrooms for Wales. I do not think that the figures exist.

Q235 Geraint Davies: The Welsh Assembly spends about £15.7 billion, and you say that you are looking to save £6 million. How can you justify the level of trauma for thousands of families that Jessica Morden mentioned—young families, people with disabilities and the rest of it—for this very small saving? In Swansea we have spent hundreds of millions on the local authorities. It is a very small saving for a massive disruption of some of the most vulnerable people in our society. How can you justify that?

Lord Freud: The £6 million figure is the amount of DHP; £5.8 million is the amount of DHPs this year that—

Q236 Geraint Davies: What will we save from this in Wales—or do you not know?

Lord Freud: That is the DHPs: the saving out of the total—I shall see whether I can satisfy Mr Doughty on that.

Chair: While you think about that, Lord Freud, and consider it carefully, I shall bring in Simon Hart to ask another question. We shall go back to the answer to the previous question once inspiration has been provided.

Q237 Simon Hart: We have heard quite a lot of examples of the negative impact of these policies, with individual examples and comments from Members around the room. However, have you made an estimate—is there an estimate—as to the number of families that will benefit from this? To pick up on the use of the word “trauma”, some people will go from the trauma of being in desperately overcrowded accommodation to being in less closely packed accommodation. What estimate have you made of those in Wales who might benefit from all this?

Lord Freud: I think that there are 10,000 families in overcrowded accommodation today, and the waiting list in Wales, from memory, is running at 100,000, but I can get a precise figure. Those are the groups that are likely to be helped by this.

Q238 Simon Hart: It would be useful to get some idea that there are some winners as well as some losers. At the moment we are looking at the losing figures rather intensely—quite rightly, too—and we all know of examples where this seems not to work too well, but I would like to see your figures and the research about where it will relieve pressure on families, and the extent to which it will do so.

Lord Freud: We have some waiting list figures—those are the figures that show the people who are going to benefit—that I can make available.

Q239 Simon Hart: That would be very helpful. Presumably they would benefit provided that there was a property into which they could go. Sitting on a waiting list is hardly a benefit.

Lord Freud: That is the problem. A cross the country there are 1.8 million people sitting on social housing waiting lists. I correct myself: there are 90,000 people—families—on the waiting list in Wales, not 100,000. Those are the beneficiaries. I have a much more precise set of figures that have been broken down. Cardiff, for instance, has 12,000 on the waiting list, and Swansea has 5,000. Those are the beneficiaries. As I said, there are 10,000 people in overcrowded accommodation in the social rented sector—more than 5% of people in that sector. Those are the potential beneficiaries.

We have put out some new figures today on how many spare rooms we estimate there are. A cross the country there are 1.5 million spare bedrooms; in Wales there are 100,000 spare bedrooms. A proportion of those is what we are trying to unlock.

Q240 Simon Hart: Forgive this quick add-on question. Those bedrooms are genuinely spare, are they?

Lord Freud: We think that a proportion of those will be released as people downsize. As we say, the best guesstimates or surveys suggest that about 25% of people will want to downsize.

Q241 Simon Hart: I want to ask an additional question, following on from some Welsh Assembly evidence that we took a while ago about the availability of housing, particularly in the part of the world that I am familiar with, where, with the best will in the world, there is a problem with theAssembly’s failure to meet its building projects. Some pretty unhelpful planning obstacles are also being put in the way, particularly, in my area, by the national park planning authorities. In your assessment of the success of this project, have you factored in some of the local obstacles that prevent the availability figure from improving at the rate necessary to minimise its adverse effect?

Lord Freud: That is clearly not my Department’s responsibility.

Q242 Simon Hart: It may not be, but the consequences probably are.

Lord Freud: I can say that we are very worried about slow building in this country. The Government, as you know, have put in a series of measures to boost the construction of homes, both social and private. In Wales the social housing grant was used to build homes, and in 2011–12, the latest year for which we have figures, the social housing movement built just short of 2,000 homes. We are hoping and expecting that the measures that have now come in to boost building will work.
Q243 Simon Hart: That is fantastic, but the house building programme has a pretty long lifespan. The proposals that you are introducing in terms of housing benefit—which I support, by the way—are immediate. I am just concerned that you are rather crossing your fingers and closing your eyes and hoping that it is all going to get better in the housing market. But I can tell you that in the Pembrokeshire Coast national park you haven’t got a dog’s chance of building anything like the number of properties needed to absorb the impact of the policy that is already in place now. That is the problem. It is no good me turning round and saying, “It will all be all right in 10 years,” because it probably will not be.

That leads me to my last question. Both my local authorities in west Wales manfully do a pretty good job in implementing this policy, but they both say that the one thing they do not understand is why the Government did not introduce some kind of transition period, as previous Governments have done with every other major change to housing benefit and housing-related matters over the generations. A transition period, even of six months to a year, would have enabled us to circumvent some of the problems that members have put forward.

Lord Freud: I agree with some of that thinking, and we have tried to address that through the discretionary housing payment route. Basically, money is available, and quite large sums. The total that we have transferred this year is £150 million, with £5.8 million for Wales, to try to handle that transition and smooth it. That is what it is for, and that is how we aim to handle it.

I neglected to answer an earlier question from Geraint Davies. The total effect of all the measures, including this one, is that we are looking to see savings of £100 million per annum against a total spend of £1 billion.

Q244 Geraint Davies: The latest revised figure for the UK is £400 million. Are you saying that a quarter of that is going to be saved in Wales?

Lord Freud: Two billion is the total across the country.

Q245 Geraint Davies: Two billion? You said £500 million earlier. I am talking about the bedroom tax.

Lord Freud: I am sorry; I gave you the figure for the other changes. Do you want the bedroom tax?

Q246 Geraint Davies: Does the bedroom tax in Wales?

Lord Freud: It is part of the bedroom tax. The total for the country is set to be £120 million next year, but that has not yet been broken down. There are elements of £1 million is the normal core funding that we have run through; just over £1.5 million comes out of the LHA changes; the spare room subsidy figure is again £1.5 million; and the benefit cap support is just short of £2 million. That £5.9 million, rounded, is how the DHP has been built up.

Q247 Geraint Davies: Two billion? You said £500 million earlier. I am talking about the bedroom tax.

Lord Freud: I am talking about the discretionary housing payment route. Basically, money is available, and quite large sums. The total that we have transferred this year is £150 million, with £5.8 million for Wales, to try to handle that transition and smooth it. That is what it is for, and that is how we aim to handle it.

I neglected to answer an earlier question from Geraint Davies. The total effect of all the measures, including this one, is that we are looking to see savings of £100 million per annum against a total spend of £1 billion.

Q248 Glyn Davies: I have a quick point following on from the point that Simon Hart was making. I have looked at the figures in the Library for social house building for the last 20 years, and over the last three years they have fallen significantly in Wales. It seems to be at the root of your ambition to resolve this issue. Unless we find a way of building a lot more houses in Wales—removing some of the planning obstacles and some of the extra costs required to get permission, such as bat surveys, flood surveys and everything-else-under-the-sun surveys, and the extra costs of building regulations and so on—the houses just will not be built. The figures have dropped from an average of 10,000-plus down to about 5,500. The trajectory seems to show that we are building less and less houses to satisfy the need.

Lord Freud: Clearly that is a concern, and there are measures in place to boost the numbers. I am not personally aware of the specific measures needed for Wales. I am way off my—

Glyn Davies: I knew that, but I wanted to say it.

Q249 Guto Bebb: I start with a general question: what exactly is the point of discretionary housing payments? Secondly, you have talked about an increase in Wales of £5.8 million, and I have previously seen a figure of about £6.2 million, but whichever it is, how did the Department reach that figure? What is the general purpose, and how did you get to that figure?

Lord Freud: The total figure is broken down into four elements. One is baseline funding, and then there are the figures for LHA reform. I can give you exact figures of how the DHP is broken down. Just short of £1 million is the normal core funding that we have run through; just over £1.5 million comes out of the LHA changes; the spare room subsidy figure is again £1.5 million; and the benefit cap support is just short of £2 million. That £5.9 million, rounded, is how the DHP has been built up.

Q250 Guto Bebb: In my local authority area the increase is about £300,000, almost a doubling of the money being made available. One of the concerns that have been expressed locally is whether that sort of support will be ongoing, or whether it is a one-off. Your comments on that will be quite interesting. In terms of how the money is used, planning will obviously be important.

Lord Freud: I clearly have to choose my words very carefully, as you will understand, because I cannot commit into the next spending review. We have spending committed for this year and next year, and the total for the country is set to be £120 million next year, but that has not yet been broken down. There are elements that it is fair enough to presume any Government would want to maintain, particularly around the spare room subsidy, which is designed particularly to help disabled people with adaptations. That is the best that I can do. There are transitional elements and elements that are likely to be maintained.

Q251 Guto Bebb: My final question is this. A lot of concern has been expressed in a Welsh context about the lack of rules coming from the centre. Personally I find that very strange, because, generally speaking, the Welsh Assembly goes for more power, yet on this issue it wants the decisions to be made in London. Do you find it odd that the responsibility given at the local level on this issue is creating such a response from local authorities and the Welsh Government?
Lord Freud: One of the Government’s big policy moves is to localise support for people who are more vulnerable. Last month we transferred important elements of the social fund so that localities can create a welfare support system. We have transferred these areas of support, with discretionary housing payments, and I am looking to creating a local support service framework in different localities in the context of universal credit, so that we look after people who need support by giving them the right support for them, which can be determined only on a local basis. It is hopeless when central Government try to lay down specifics; at the centre, we just do not know enough about what is required on the ground.

Q252 Mr Williams: I said that I would come back to rural areas. I do not wish to denigrate the efforts of my colleagues from urban constituencies, but I want to ask about social disruption. The concern that has been raised is that, if there is accommodation available, people face the prospect of having to move from their communities. I represent about 147 villages in my constituency, and, although I appreciate the earlier comments about people aspiring to bigger houses and possibly downsizing, there is a lot to be said for social cohesion and stability in rural communities. I am thinking about children prospering in their schools without having to move, of accessible communities. I am thinking about children prospering in their schools without having to move, of accessible transport, and, of course, of the importance of travel distances to work in areas where there is no public transport, and, of course, of the importance of family networks. How much consideration was given to that dimension to this debate, first with the emergence of these proposals and now the legislation?

Lord Freud: That is one of a number of issues that we looked at closely, and it is one of the issues that we have localised.

Q253 Mr Williams: This really is critical. I shall cite one example. If a village school with 25 children is fighting for school numbers to keep the school open in the community, with all the roles that the school performs, the prospect of two or three families with two or three children each having to move elsewhere will have a real impact on the viability of that school. There are reasons given, notably wider than the arguments that we have heard today.

Lord Freud: I hear that point, obviously. We are Lord Freud: that we have heard today. The ramifications go much wider than the arguments will have a real impact on the viability of that school. Two or three children each having to move elsewhere performs, the prospect of two or three families with in the community, with all the roles that the school fighting for school numbers to keep the school open Q254 Chair: Lord Freud, I am rather more sympathetic than some of my colleagues to what you are trying to achieve, but the one thing that really worries me is the issue of direct payments. In fact, I took the matter up with Iain Duncan Smith, who tells me that it will be absolutely fine and that it will teach everyone budgeting skills. Do you buy that argument?

Lord Freud: Everything that Iain Duncan Smith says I support absolutely—but let me amplify what he was referring to. What we are looking at here is moving the norm over to people being responsible for their own payments. We are introducing UC, which is aimed at making sure that it always pays to work, and that it is easy to move in and out of work, if you are unlucky enough to have had to move out. We can do all that, but, if you then have to change all your arrangements to pay rent at the moment when you move back into work, there is still a big artificial barrier to that smooth interface, and we want to move it.

We know that this is a big change, and we are going to do it carefully. We are doing the housing demonstration projects—one, the Torfaen project, is in Wales—to find out how best to do this. The emerging structure that we are looking at is that clearly we need to keep the people who really cannot handle it off the system, so they will remain on managed payments. There will be a large group of people who will remain on managed payments.

Q255 Chair: A large group, Lord Freud?

Lord Freud: Yes, a large group.

Q256 Chair: The impression I had from an earlier evidence session was that only a very small number of people would be kept off.

Lord Freud: Let me give you an impressionistic indication. In the private rented sector, which is on local housing allowance, we currently have 24% of people on managed payments. That is the kind of proportion, but you might expect social housing to have rather more. There will be a proportion.

Let me explain how we will arrive at that figure, because this is vital. We have found that there are four categories of people who really need an awful lot of support to manage, so we have measured what we call the support points required. Most people need one or two, or maybe three. There are four groups that need 12 to 14, and they are people with learning difficulties, people with mental health problems, the homeless and those with addiction problems. We are likely to keep the bulk of those off the system.

Then we are looking at a system—this is what the housing demonstration projects are finding out—in which, when someone who we thought could manage, and whom we provide with support to manage, has built up a period of arrears or an amount of arrears, we will switch them back into managed payments and recoup the money reasonably rapidly to go back to the landlord. We are trying to establish these projects what the right level of arrears for this would be, and we are now getting pretty close to a view. The one commitment that we have made is that we will not undermine the financeability of social landlords. That is the kind of system that we are looking at currently.

Q257 Jonathan Edwards: In the initial stages, who is going to be responsible for identifying that...
vulnerable group—the 24%? Is it going to be the Department or the social landlords?

**Lord Freud:** The final decision will be made by the DWP, by a decision maker, but we will be taking input from relevant authorities; that includes the social landlord, who will have an important input.

**Q258 Geraint Davies:** I understand that the number of people receiving payday loans in Wales has increased from 17,000 in 2011 to 30,000 in 2012. Prior to that the number was not measured because it was so small. That is an enormous escalation. Do you really think that if people who can barely cope are given the money we will not end up with massive rent arrears because they cannot manage their affairs properly?

**Lord Freud:** The group that is already in arrears or severe debt is another group that we need to worry about. We are looking for a range of support for people when we move them over. A lot of people will need support and advice on how to manage, and they should have the right kind of accounts so that they can use direct debits; we are also looking at budgeting accounts. We are trying to boost the credit union movement, and we have just put out £38 million to them so that they can grow.

**Geraint Davies:** Why not just pay the money directly to the landlord?

**Chair:** That is two questions, Mr Davies, and I have to bring in Stephen Doughty, your colleague, to ask his question.

**Q259 Stephen Doughty:** It is not often that the Chair and I agree, but I share his deep concerns about this, and how it will impact in practical terms. We have obviously heard a lot of evidence from social landlords in Wales, and we also have the example of the Bron Afon project and the other pilot areas. What is coming out from those is that the bedroom tax and the direct payments will increase rent arrears quite significantly. That is going to have a significant impact on landlords’ financial viability and their ability to provide services, including to some of those vulnerable tenants whom you mentioned. What is your reading of the evidence from that pilot project and the other pilot projects?

**Lord Freud:** My reading is that it is very valuable. The structure that we are looking at will end up with a minimal financial impact on them. That is what I aim to do. Some figures are coming out later this week. I had better not refer to them as they have not yet been published, but they will be out soon, and will be in your evidence base. The most recently published figures show that the average has been 7%, but that is before you look at switching people back into managed payments if they cannot handle it and then getting the arrears back to the landlord. When you net it down, if you introduce a system like that, the actual arrears and write-downs will be very small indeed.

**Q260 Stephen Doughty:** I have to say that that figure does not quite tally with what I have been told by some social landlords locally. One was telling me that it was as high as 11%, based on some very careful financial modelling, including taking account of many of the issues that you mentioned. Do you think that you need to look at this again?

**Lord Freud:** There is only one place in Wales where it is happening, and I can tell you that the figure there is not 11%.

**Q261 Stephen Doughty:** This is information that I have had directly from social landlords. That is beyond the pilot project.

**Lord Freud:** All I can say is that we are working on a structure. I have made a commitment that direct payments will not undermine the financeability of social landlords, and we are working on a structure to make sure that we can combine moving a lot of people into direct payments, helping them to handle that, and not undermining social landlords.

**Q262 Stephen Doughty:** Are you willing to step in to bail them out if they get into financial difficulties?

**Lord Freud:** I am going to make sure that there is a system whereby they do not get into financial difficulties because of this.

**Q263 Stephen Doughty:** Is that support going to be provided by the DWP?

**Lord Freud:** No, it is not support; it is the structure of how this is going to work. There will be support in the sense that we will help get the arrears back, and we will do the switchover. That is where we will provide support.

**Q264 Stephen Doughty:** Given that it costs about £4,000 to support and rehouse evicted tenants, do you not accept that this whole situation is potentially transferring fiscal liability to the Welsh Government and local authorities, and to social landlords themselves, if the DWP is not there to back up those who do not cope with these changes?

**Lord Freud:** What I am saying is that the system we are developing will provide financial support to social landlords. It will not undermine their financeability.

**Q265 Stephen Doughty:** Have you surveyed all the social landlords in Wales? Are you aware of what they think so far of the changes, and of what their own financial assessments are?

**Lord Freud:** As I say, we are talking all the time to social landlords and local authorities right round the country, but they are not in a position to comment yet on a structure that we have not released.

**Q266 Stephen Doughty:** Okay, but do you not think that you should be checking that structure with them? They have obviously already done financial modelling themselves, and clearly you are thinking of changes that you say will mitigate the effects, but ought you not to be testing that out with them to see if that fits with the reality as they see it on the ground?

**Lord Freud:** We are doing the most elaborate work with these six demonstration projects to find out exactly what matters. It would be crazy to leap in with a conclusion and a structure before we have all the learnings out of that, so we are gathering the learnings, pulling it all together and coming out with
a structure. Clearly people will be commenting on that structure. That is work in progress; indeed, I can tell you that it is work in very active progress.

Q 267 Stephen Doughty: Were you surprised by the figure from the Bron Afon housing association? Were you surprised by the extent of the problems that it was facing and the increasing rent arrears?
Lord Freud: Interestingly— I think that I can say this— Bron Afon is one of the better performers.

Q 268 Stephen Doughty: But it has still seen a significant increase in arrears.
Lord Freud: Well, it is one of the better performers. 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. It then shrinks as you move those people out and recoup the money.

The trick with the whole system is to make sure that the people who are likely to be a problem do not go into it in the first place, or not without a lot of specific support, which we can do steadily. We learn both those things—who goes in and what the switch-back mechanism should be—from the housing demonstration projects. That is the point of this learning.

Q 269 Jonathan Edwards: Broadband services can be particularly poor in rural areas. What consideration did the Department give to that underlying fact in terms of infrastructure problems when you initiated your policy of being able to claim only via online services?
Lord Freud: It would not be sensible in the 21st century to build a new service that was not digitally based. We build it, and it can be adapted in the years to come. I am expecting us to be relying on this for many years—decades. We relied on the last one for many years—decades. We relied on the last one for many years—decades. We relied on the last one for many years—decades.

Q 270 Jonathan Edwards: Over the weekend, news broke about the death of Stephanie Bottrill from Solihull. What has been the response of the Department to that tragic event?
Lord Freud: It is a desperately sad and tragic event, as you say, and I and my colleagues send condolences to the family. However, I am not in a position to make any further comment. The relevant authorities clearly need to investigate what actually happened, and we do not know yet.

Q 271 Chair: Lord Freud, one or two people want to ask some very quick questions. May I start by going back to the point I made earlier and ask why it was decided to devolve in Northern Ireland, and to have a system whereby people continue to have their rent paid directly to the landlord rather than doing what we are doing in the rest of the UK?
Lord Freud: Social security is devolved in Northern Ireland, so it is up to them to build the system that they want. I suspect that, in practice, the system that they run will not be that different in a lot of ways from the one that we have elsewhere.

Q 272 Geraint Davies: You said that you were going to move those who could not cope back into direct payments. I wondered whether you thought that this was acceptable, given the cost and the trauma to those individuals. These people may be dysfunctional and may have various problems, and they will have very little money, but you will be allowing them to drift into arrears and anxiety before eventually concluding that they cannot cope, and then move them back. Will you reinstate them? These people really cannot cope. It would have been better to put them on direct payments in the first instance, would it not?
Lord Freud: Our aim will be to put people who cannot cope on what we call managed payments, which means payments straight to the landlord; there is so much confusion over the term “direct payments”. Our aim is to do exactly that for people who really cannot cope. We aim to keep them off that system at least until we can really provide support that will gradually get them over.

Q 273 Geraint Davies: I have a second completely different question. Do you anticipate a level of migration of people from England into Wales? Have you done forecasts? Have you pictured the demography, given that there are different levels of under-occupancy in Wales and England? Are we looking forward to an influx of people from England into social housing?
Lord Freud: We are not expecting that. One of the forecasts under the LHA was that there would be massive displacement of people. We simply have not seen that as a result of the LHA, and we are not anticipating it as a result of any change in social housing.

Q 274 Jessica Morden: Let us go back to when we were talking about people making up the shortfall and the extra payments for housing benefit. You said that they could go out and make some money; those may not be your exact words, but we can look them up later. Do you think it important to remember that a significant number of housing benefit recipients are in work but on low wages, and that at a time when wages are stagnant it is a way of helping them out?
Lord Freud: Yes. Some of the people are in work, and clearly many of them are used to making partial payments of their housing benefit themselves.
Q280 Geraint Davies: I thought that that question might generate a thing for the state to do, and currently we cannot child a bedroom in two places. It is a very expensive bedrooms is expensive. Basically, you are giving a sofa bed. The issue is that dual provision of extra £12 a week to have that facility. Others will use bedroom, my most reliable asset was a sofa bed. Food and energy prices and so on going up, do you down to £12 a week. At a time when we are seeing their utility bills and bus fares, their income may go someone coming to me and saying that, if they have their children over at the weekend but who are now not going to be able to do that. How do you feel that that will affect parents’ access to their children? Lord Freud: We estimate that roughly 60,000 people are non-resident parents who have some contact with their children, both in the private rented sector and in the social rented sector. In the private rented sector the extra bedrooms go to the person who has the child benefit, so we are basically bringing it into line. The cost of giving one extra bedroom to those people would be £50 million a year. It really is a cost.

Q277 Jessica Morden: Do you worry about fathers getting access to their children at the weekend and being able to have that kind of relationship with them? Lord Freud: I do worry about it. These are clearly measures about costs. Family breakup, as we all know, is one of the most enormously expensive things, both for the individual and for society, but the issue is: how much of that cost can the state afford to bear?

Q278 Chair: This is not meant to be in any way a controversial question, although I can feel that it might turn into one. If people are having their children over and the children do not permanently reside in that house, is there any reason why temporary arrangements, such as the use of sofa beds and so on, cannot be made? Is there anything to stop people from sleeping in their front rooms if they have to, just as we all might do from time to time if we have guests? Lord Freud: I remember that, when I had one bedroom, my most reliable asset was a sofa bed. Moving house is obviously one of the most stressful events in anyone’s life, and I am sure we have all been through it. Whether it helps some families or causes problems for others, it is clearly a stressful event, and there are other consequences such as people moving away from communities, neighbours and other people that they know. What conversations have you and the Department had with the Samaritans, Mind and the other organisations that deal with people in acute distress or depression? Anecdotally, I have come across a lot of constituents for whom even the fear of it, whether or not they will be affected, is causing a lot of distress. I wonder what sort of evidential assessment you have made of increased stress, depression and other concerns of that nature.

Q279 Chair: I am very familiar with one myself. There is nothing to say that local authorities are stopping people using sofa beds, is there? Lord Freud: There is a range of things here. Some people may find that it is worth while spending the extra £12 a week to have that facility. Others will use a sofa bed. The issue is that dual provision of bedrooms is expensive. 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 it. Chair: I thought that that question might generate a bit more interest.

Q280 Geraint Davies: On that point, in terms of the numbers that we are talking about, I have had someone coming to me and saying that, if they have £20 a week to spend on food and clothing after paying their utility bills and bus fares, their income may go down to £12 a week. At a time when we are seeing food and energy prices and so on going up, do you not think it a bit harsh that, in order to save, say, £7.50 a week by not having to pay the bedroom tax, they are effectively denied access to their child? Are we not penny pinching in inflicting such awful trauma on the poorest in our communities?

Q281 Geraint Davies: I am saying that they have to make the choice between the £7.50 and seeing their child. Lord Freud: Seeing their child? Clearly you can see your child, but, when I say 60,000 have some contact, that does not necessarily mean that children stay overnight. It is 60,000 with “some contact”. The numbers who stay over are clearly going to be a lot lower than that.

Q282 Stephen Doughty: Moving house is obviously one of the most stressful events in anyone’s life, and I am sure we have all been through it. Whether it helps some families or causes problems for others, it is clearly a stressful event, and there are other consequences such as people moving away from communities, neighbours and other people that they know. What conversations have you and the Department had with the Samaritans, Mind and the other organisations that deal with people in acute distress or depression? Anecdotally, I have come across a lot of constituents for whom even the fear of it, whether or not they will be affected, is causing a lot of distress. I wonder what sort of evidential assessment you have made of increased stress, depression and other concerns of that nature.

Q283 Stephen Doughty: Have you asked them, in terms of the feedback that they are getting from their calls, whether the bedroom tax is coming up as an issue in people’s lives, along with the wider changes that you are making to the welfare system, perhaps pushing some people over the edge? Anecdotally, it is pushing a number of people I have been dealing with into very difficult circumstances. Have you spoken to these organisations? Lord Freud: We do speak to them. Geoff, are you aware of any particular conversations? Geoff Scammell: No. Lord Freud: I am not aware of anything that we have had specifically on that.

Chair: I believe that Geraint has one last question.

Q284 Geraint Davies: This is a financial question, about the impact on the Department. First, what assessment has been made of the on-costs to the NHS, which is obviously part of the public purse, of the mental health problems that have just been referred to? Secondly, you said that you would ensure that you
would not undermine the financeability of housing associations. Can you elaborate on that? It seems to me that, if there are escalating debts and arrears, you are saying that you will pay those debts in order that they can borrow money—or are you not saying that, in which case you are not guaranteeing that you will not undermine the financeability? I am talking about the NHS and about housing association lending.

Lord Freud: Let me deal with the second question first. We clearly need a structure whereby rating agencies and banks do not feel that it adds to the burden of arrears and debt, and the housing associations are still viable functioning bodies. We are making sure that that will happen.

Q285 Geraint Davies: You will not underwrite the debt.

Lord Freud: That will not be necessary under our structure. In practice, the way that we manage payment fallback is in reality a state income guarantee scheme. That is the structure that we are looking at.

Q286 Geraint Davies: They have downgraded the debt, so they already pay a higher interest rate, do they not, because of your policy?

Lord Freud: They did not downgrade it because of anything that we are doing.

Q287 Jessica Morden: I just want to go back to your point about the localised route and discretionary housing payments.

In Monmouthshire, part of which is in my constituency, the amount is £121,000 for the 700 families and people affected. It seems that the answer to every problem to do with housing benefit changes is to apply for discretionary housing payments. It is clearly not enough, given those figures. Do you accept the argument that you have put up insufficient money for discretionary housing payments and that you are now hiding behind that money and directing every problem to it, when the money is clearly insufficient?

Lord Freud: No. We have put this money out for these particular purposes; it is to help local authorities handle the problems, many of which will be dealt with by giving transitional support to get families into housing on a reliable basis.

Q288 Jessica Morden: However, £121,000 for the 700 affected families is quite a small amount of money.

Lord Freud: It clearly will not allow local authorities simply to go on paying all those families that amount. That is not what it was designed for. It was designed to help handle particular problems, maybe on a long-term basis for people with adapted houses and so on, to help people in temporary accommodation, and also to help with the transition costs in other cases and to manage hard cases longer term. That is what the local authority needs to do with that money.

Chair: This has been a very good session. Thank you, Lord Freud, for coming along. We have enjoyed it very much.
Written evidence

Written evidence from the Residential Landlords Association (CHB 02)

1.0 About the Residential Landlords Association

1.1 The Residential Landlords Association (RLA) represents over 16,000 small and medium-sized landlords in the private rented sector (PRS) who manage between them over 150,000 properties in England and Wales. It promotes and maintains high standards in the sector, provides training for its members, promotes and runs local landlord accreditation schemes and helps drive out those criminal landlords who bring the sector into disrepute.

2.0 Summary

2.1 The RLA supports efforts to reform the benefits system to better support the transition from welfare to work. That said, as demonstrated by a joint survey of members of the RLA and the Scottish Association of Landlords (SAL), there are clear concerns about the way that Universal Credit is currently designed.

2.2 Whilst the RLA recognises the need for changes to the system of housing benefit, in common with a number of other organisations it is worried about the impact some of the measures proposed will have on all tenants dependent on benefit, particularly younger ones. There are worries that an unintended consequence will be to reduce the number of landlords able or willing to rent to benefit recipients so forcing local authorities to look after them.

2.3 The RLA is calling on Ministers to enshrine a tenant’s right to choose who the housing element of the new Universal Credit is paid to under regulations implementing the Welfare Reform Act.

2.4 The Government should reconsider its decision that the housing element of Universal Credit will be paid a month in arrears. Unless tenants have the financial resources to pay their rent upfront, which is unlikely, they will be starting off on the back foot, causing many landlords to become wary of letting to those on benefits and putting potential new landlords off investing in much needed new rented housing.

2.5 The Government needs to provide urgent assurance to the sector over the circumstances under which payments of the housing element will be made directly to the landlord. Whilst at present landlords can demand that payments are made to them when a tenant reaches 8 weeks of arrears, Ministers have failed to provide a clear pledge to retain this right. A “backstop” right for the landlord to require direct payment is vital as it underpins landlord’s security of income.

2.6 Greater clarification is needed over the status of pre-existing decisions made by local authorities on vulnerability and arrears cases when the implementation of universal credit transfers from local authorities to the Department for Work and Pensions.

2.7 Regulations should be issued as to the information that landlords will be entitled to know and at what stage when a tenant makes an application for housing support under Universal Credit. This should cover ensuring the landlord is notified when a claim is being made; the final award made and details of the procedures and circumstances under which a landlord can make a claim for payments to be made directly to them.

3.0 Impact of Housing Benefit Reforms—Landlords Survey Results

3.1 Between 22 October and 5 November 2012, 1,023 members of the RLA and SAL took part in a survey to measure landlord’s attitudes to Universal Credit.

3.2 The results showed that 65% of respondents do not support the Government’s plans compared to 20% who did support them and 16% who did not have a view.

3.3 When asked whether there are sufficient numbers of shared properties in their areas to cope with the extra demand as a result of the decision to increase from 25 to 35 the age at which housing benefit claimants can claim only for a room in a shared property, 55% said there was not, 6% said that there was and 39% did not know.

3.4 Following pronouncements made recently by Welfare Reform Minister, Lord Freud, that the Government’s temporary policy of allowing landlords in the private rented sector to have housing benefits paid directly to them in return for reduced rents had been a success, 62% of respondents said they would not lower rents in return for direct payments, compared to 24% who would and 14% who did not know.

3.5 Asked how they would respond if the “right to demand” direct payment once a tenant gets into eight weeks of arrears as is allowed at present, became only a “right to request”, 92% of landlords said it would make them less likely to rent to those on benefits only, 2% said it would make them more likely to do so whilst 6% said it would make no difference.
4.0 Tenant Choice

4.1 The RLA, alongside a number of organisations including Shelter, Crisis, Citizens Advice Bureau and the Money Advice Trust, has consistently argued that, to help them budget, tenants should be given a choice as to who should receive the housing element of universal credit—themselves or their landlords. Whilst Ministers have argued that tenants should by default have the benefit paid directly to them to encourage financial responsibility, for many 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. Surely as part of its ambition to promote responsibility Ministers should trust tenants to make their own decisions based on their own circumstances, rather than seek to restrict this ability. This is especially important in helping budgeting now that Universal Credit is to be paid monthly.

4.2 Ministers in Westminster and Stormont agreed that the housing element of Universal Credit would be paid to landlords in Northern Ireland. If there, why not in Wales?

4.3 Enabling tenant choice would also help tackle the high rates of Housing Benefit fraud. As outlined by the National Fraud Authority’s Annual Fraud Indicator (March 2012), “Housing Benefit remains the largest area of fraud loss within the benefit system, increasing from £250 million in 2009–10 to £300 million in 2010–11.” Under Universal Credit, there remains a very real danger that families with multiple financial pressures will find it difficult to prioritise payments, and find the housing element of the credit being used for other purposes.

4.4 Evidence shows that particularly those tenants struggling to manage their finances would prefer to have the right to choose to have their Local Housing Allowance (LHA) paid directly to their landlord. In October 2009, data from a survey of LHA claimants by Shelter found that of the claimants who would choose payments to be made directly to their landlord, 95% were struggling to manage their finances. Almost half of the claimants who had experience of both forms of payment believe that landlord payment better helps them in managing their rent and household budget.

4.5 Given the multiple pressures claimants will face under Universal Credit, especially for those who will be affected when the benefit cap is introduced, it is all the more important that claimants are able to seek the security of knowing their rent has been covered.

4.6 Support for tenant choice has also been given by the Money Advice Trust who run the national debt line. Their Chief Executive, Joanna Elson, has said of the proposal “we feel that this would enable many tenants to avoid housing benefit arrears and thus tackle their debts and manage their money wisely.”

4.7 An inevitable consequence of the current arrangement is that many landlords are now reluctant to rent to tenants on benefits for fear that they will not receive the rent. This makes life more difficult for tenants seeking accommodation and may force them to accept lower standard housing. In a survey of RLA members, of those who would not rent to tenants receiving housing benefits, 45% reported that it was due to a lack of assurance that their rent had been paid so that they could decide on how to spend the remainder of their income. Surely as part of its ambition to promote responsibility Ministers should trust tenants to make their own decisions based on their own circumstances, rather than seek to restrict this ability. This is especially important in helping budgeting now that Universal Credit is to be paid monthly.

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5.0 Arrears and Vulnerability

5.1 The most recent Tenants Arrear Tracker for the Chartered Surveyors, Templeton LPA, has shown that the second quarter of 2012 saw an 8% increase in the number of tenants in severe arrears, with over 7,000 more finding themselves in two months of arrears than the first quarter of 2012.

5.2 This brought to 100,400 the number of tenants in England and Wales in severe arrears, a 24% increase over the year and the highest on Templeton’s records.

5.3 Sadly, for tenants, the consequences of incurring severe arrears are eviction. In the second quarter of 2012, 26,060 tenants faced eviction notices—6% more than in the previous quarter, and 5% more than in the same period of 2011.

5.4 For landlords, decisions about investing in vitally needed new properties hinge on the security of knowing that they will not be faced with a position whereby a tenant mounts crippling arrears followed by what can often be a lengthy and costly legal process for eviction, with no prospects of recovering the arrears. Likewise, tenants ending up in arrears are having a serious impact on landlords’ ability to pay back their buy-to-let mortgages with figures released recently by the Council of Mortgage Lenders showing that in the first three quarters of 2012, 0.13% of buy-to-let sector properties were repossessed, over double the 0.06% in the owner occupied sector.

5.5 At present, up to 30% of LHA claimants have their benefits paid direct to their landlord either because of vulnerability or arrears.

5.6 The RLA does not believe that the current DWP approach to identifying vulnerable claimants is sufficiently robust. Furthermore, if there are arrears there needs to be an immediate switch back facility so that payment is made direct to the landlord straight away, rather than waiting for two months arrears to build up as at present.
5.7 It has been suggested that existing LHA vulnerability policies should be carried over as the criteria for determining who is vulnerable. Whilst they provide a good starting point, they do not go far enough, since they need to place the interests of keeping a roof over the heads of claimants and the need for landlords to receive the rent at the heart of the guidelines.

5.8 Matters are more uncertain because of the Government’s proposals to introduce financial products (or “jam jar” accounts) to help tenants budget. Whilst we do not disagree with the concept of promoting tenant’s financial responsibility, there is a risk that tenants are pushed into these arrangements. Funds in these accounts may not be used for the intended purpose of paying the rent. A lump sum is a big temptation for a tenant facing other financial pressures such as repaying loans. If constraints are put in place on how these accounts can be used then this will make a mockery of promoting financial inclusion. If the vulnerable tenants are steered into financial products of this kind, rather than direct payment of housing costs to the landlords, landlords will see this as a serious threat to the security of their incomes. In consequence, they will be less willing to rent their properties to vulnerable tenants, especially as it will be uncertain at the outset whether the housing costs will be paid direct to the landlord or not.

5.9 The Government should reconsider its decision that the housing element of Universal Credit will be paid a month in arrears. Unless tenants have the financial resources to pay their rent upfront, which is unlikely, they will be starting off on the back foot, causing many landlords to become wary of letting to those on benefits and putting potential new landlords off investing in much needed new housing. The reality is that unlike many who work, claimants do not have any savings to fall back on. There are proposals to make advance payments to landlords, but as these are clawed back there will be a short fall each month to meet the ongoing rent, risking arrears.

5.10 The Government needs to provide urgent assurance to the sector over the circumstances under which payments of the housing element will be made directly to the landlord. Whilst at present landlords can demand payments to be made to them once arrears reach a certain level, Ministers have failed to provide both a clear pledge to retain this right and clarity as to vulnerability and rent arrears will be dealt with under Universal Credit.

5.11 Swiftly publishing in draft form guidance outlining the circumstances under which automatic payments will be made to landlords covering arrears and vulnerability will provide greater assurance to landlords. This would give them confidence knowing that they would be protected should tenants have problems with payment and therefore make them more inclined to rent to those on benefits and invest in new properties.

5.12 Linked to this is a need for much greater clarification over the status of pre-existing decisions made by local authorities on vulnerability and arrears cases when the implementation of universal credit sees responsibility transfer from local authorities to the Department for Work and Pensions.

5.13 Where sanctions are imposed then claimants should be treated as vulnerable straight away.

5.14 We are particularly concerned at the loss of appeal rights regarding decisions about recipients of payments.

6.0 Landlord Information

6.1 It is essential that landlords receive ongoing information about the progress of any claim for housing costs; otherwise they will be reluctant to rent properties to claimants. At present, when an existing housing benefit claimant moves, notifying the local authority constitutes a new claim for a new property. This will no longer be the case under Universal Credit which will treat it as a change of circumstances. It is vital for the landlord to know that either a change of circumstance has been notified or a new claim made. At present landlords can ensure that a claim is lodged for LHA and they seek proof of this has been done. There is no facility built into the Universal Credit processes for this to happen.

6.2 It is also essential that landlords are made aware once payments of housing costs are being made, even where they are paid to the tenant as they may be prepared to wait for payment. At present some local authorities pay the first month’s rent by way of a payment order in favour of the landlord but sent to the tenant. As payments are now being made to “jam jar” bank accounts, removal of this facility, which is a means of combating fraud, is most concerning. If Universal Credit is paid a month in arrears, the RLA is urging the Government to maintain this practice.

6.3 We are concerned that the DWP has not yet considered the impact of data protection laws regarding what information about progress including payments can be made to the landlord.

6.4 Data protection requirements can be met where there is statutory provision overriding them which allows appropriate information to be provided to landlords about the progress of a tenant’s claim, information which is vital to a landlord being willing to let their property to a claimant.

6.5 For vulnerability and arrears policies to work effectively, it is also important that appropriate facilities are established to allow landlords to make contact if arrears occur; so as to enable direct payment to the landlord to be made immediately even while the situation is being investigated.
6.6 Regulations should be issued detailing the information that landlords will be entitled to know and at what stage. This should cover ensuring the landlord is notified when a claim is being made; the final award made and details of the procedures and circumstances under which a landlord can make a claim for payments to be made directly to them.

6.7 Linked to this is the need to ensure a smooth process for the transition of information to the DWP. Further, existing decisions made by local authorities regarding direct payments should be carried into Universal Credit from the outset.

December 2012

Written evidence from Citizens Advice Cymru (CHB 05)

SUMMARY OF RECOMMENDATIONS

Affordable housing and rents eligible for Housing benefit and Universal Credit

1. The Whitty Report definition of affordable homes should be adopted as official policy.

2. If, as many expect, the DWP-commissioned independent monitoring shows that there have been substantial adverse personal and social consequences, then the question of rents eligible for HB (and the rental element of UC) should be revisited by Government; this time from the perspective of tackling poverty and promoting social inclusion.

Under-occupation rules

3. HB/UC should be payable for a spare room, as part of normal social interaction.

4. In the social rented sector, under-occupation should be seen as a matter for housing management, not benefit cuts.

Benefit cap

5. The benefit cap should not apply to benefits that are available on similar terms both in and out of work.

Cumulative impact of benefit cuts

6. Proposals for benefit legislation should be accompanied by a poverty impact assessment sufficiently sophisticated to provide estimates of multiple impacts.

Direct payment of HB/UC to landlords

7. Unless there is a reason for mandatory direct payment to the landlord (rent arrears above a specified level or vulnerability issues such as drug or alcohol abuse) the choice should lie with the claimant as to who—claimant or landlord—should receive benefit payments for rent. This could be on an “opt in” basis (analogous to setting up a direct debit) to satisfy the Government’s concern with active claimant engagement.

Non-dependant deductions

8. The previous policy of freezing non-dependant deductions should be reinstated.

1. INTRODUCTION

1.1 Citizens Advice Cymru welcomes the opportunity to submit evidence to this enquiry. In the 12 months to September 2012 Citizens Advice Bureaux in Wales saw 153,482 clients and helped with 458,513 issues. Benefits/tax credits and debt are the two biggest areas of advice and account for just over 75% of issues advised on. CAB advisers in Wales advised on over 206,000 benefits and tax credit issues.

1.2 Groups at risk of poverty are over-represented among Citizens Advice Bureaux clients in Wales:1

- 44.5% of clients are disabled or have a long term health problem.
- 16.3% identify as permanently disabled.
- 15.8% are lone parents with dependent children.
- 1% are either homeless or living in hostels.

1.3 Between October 2011 and September 2012 Citizens Advice Bureaux in Wales have responded to 14,605 queries about Housing Benefit representing a 33% annual change comparing the last four quarters with the previous four quarters. Housing enquiries for the same period rose by 16%.

1.4 In order to inform Citizens Advice Cymru’s contribution to this inquiry we have consulted with colleagues internally and drawn upon the direct evidence of our clients experiences of welfare reform as it is

1 For the period to September 2012
impacting on the people of Wales. We have considered the effect of reforms which are already in force as well as those yet to come where we have used available information and anticipatory enquiries to consider potential impact. We are very grateful to all those staff and volunteers who contributed to this process all of whom contributed a huge combined knowledge and understanding of the housing benefit system and local housing markets.

1.5 We believe the single most important issue to raise to the Committee is that the cumulative effect of housing benefit reforms will result in increasingly unsustainable tenancies without sufficient suitable alternative accommodation being available in Wales. This risk particularly impacts low income households of working age who are also losing from many other reforms.

2. INCREASE IN CLAIMANT NUMBERS AND EXPENDITURE

2.1 Housing benefit is intended to contribute to housing costs of those on low incomes who are living in rented accommodation. In common with other parts of the UK claimant numbers in Wales have risen steadily but consistently and exceeded 250,000 for the first time in February 2012.

2.2 Wales consistently has the lowest proportion of standard claim cases ie those not paid on the basis of a passport benefit though we have broadly followed the UK pattern of increasing number of in work claimants.

2.3 Citizens Advice Bureaux routinely support clients in maximising their income, this will always include a benefit check where circumstances indicate the potential for entitlement. Clients with low incomes and changed or reduced circumstances may seek this assistance specifically though, in our experience, many working families and others experiencing debt problems are unaware of their entitlement until they have been experiencing financial problems including problems with housing costs for some time.

3. SHARED ACCOMMODATION RATE EXTENDED TO UNDER 35’S

3.1 Before January 2012 people under the age of 25 were restricted in the amount of housing benefit they could receive. The amount, known as the Shared Accommodation Rate, was limited to the cost of renting a room in a shared house with shared facilities such as kitchen and bathroom— the difference between the Shared Accommodation Rate and the rate payable to people over 25 for a one bedroom property varies across Wales but is usually in the order of £35 to £40 per week. Since January 2012 Shared Accommodation Rate has applied to all single people under the age of 35.

3.2 The increase in the age restriction for housing benefits has disadvantaged many clients who have been in work and living independently until the point they needed to claim benefits. Family and individual tensions have been escalated by sharing accommodation beyond their natural point.

3.3 A brother and sister visited a South West Wales bureau to see what help was available to them. The brother, aged 32 with a severe mental health condition, had lost his flat when his rent was restricted. His sister and her husband who had small children of their own had taken the brother in rather than see him in a hostel but the situation was putting all of them under unacceptable levels of pressure.

3.4 A transgender client in her early 30’s was informed that her Housing Benefit would be reduced by exactly half from 1 January 2012. The client was extremely anxious about the prospect of moving to shared accommodation and concerned about the potential for discrimination. She was advised that she may be able to make a claim for a Discretionary Housing Payment but that she could not be certain of an award.

3.5 A 26 year old client in North West Wales moved into his one bedroom property with his girlfriend as part of a joint claim. When the relationship broke down and she left the flat he found himself with a shortfall of £22 per week. The client told the caseworker that he had been homeless in the past and that he would go hungry every day before he failed to pay his rent rather than end up on the streets again.

4. NON DEPENDENT DEDUCTIONS

4.1 Where a claimant who is responsible for paying the rent on a property has other adults resident in that property, other than a partner, with independent sources of income those other adults will generally be expected to make a contribution to the cost of renting that property. Maximum housing benefit will be reduced by amount, known as the non dependent deduction, according to the income of those other adults and the circumstances of the benefit claimant.

4.2 Up-rating of non dependent deductions, according to the level of their income, started again from April 2011, ten years after the last increase, at a rate 3 x inflation each April through to 2013. Bureaux clients have always reported difficulty in persuading non dependents to disclose the extent of their income to the local authority and to pay across to the tenant as rent the amount that is deducted from the tenants benefit. The increase in the rate of non dependent deductions has not changed the issue significantly.

4.3 A Valleys bureau reported that a client faced eviction due to rent arrears which had accumulated due to the maximum non dependent deduction being applied for an adult son who was in full time work. Although the client had no way of verifying her son’s income he was not prepared to co-operate either by providing proof of his income or by making up the shortfall in his Mother’s rent.
5. Local Housing Allowance (LHA)—Impact of Changes so far

5.1 From April 2011 the Local Housing Allowance rate was tied to the 30th percentile of the rental costs in the geographically defined Broad Market Rental Areas. It was acknowledged that some tenants would need to move to cheaper accommodation or to make up the shortfall in rent from other income with the suggestion that a substantial number of landlords would be prepared to reduce the rent in order to retain their tenants. Our experience is that clients have struggled to negotiate reductions in rent and have experienced a range of consequences as a result of this change.

5.2 A lone parent in North Wales was helped to claim a short term Discretionary Housing Payment to meet the £140 per month shortfall when her rent was restricted to the LHA rate of £360. She had been cutting back on food to help to meet what she agreed was a fair rent for the area but long term faced relocating some distance away from the school her children attend. Her landlord was not prepared to reduce the rent.

5.3 A client in South East Wales moved into a property which was in very poor condition as it was all she could secure for the amount of the LHA without a deposit which she was unable to raise. The commercial landlord was not prepared to improve the property and her long term health condition deteriorated. Eventually the property was declared unfit and the client had to be re-housed by the local authority.


6.1 From April 2013 social housing tenants will be treated in the same way as private tenants—the number of bedrooms a tenant is entitled to will depend on the number of people in the household. Children under 16 and of the same gender will be required to share and under 10’s of either gender will be expected to share regardless of gender. With a few exceptions those deemed as having one spare room will lose 14% of the housing benefit eligible rent and those deemed to have two or more spare bedrooms will lose 25%. This shortfall will have to be met by the tenant who will otherwise accrue rent arrears and ultimately risk homelessness.

6.2 A widowed client in receipt of bereavement benefits expects to have to pay 25% of her rent from next April unless she can secure alternative accommodation before then as she is only protected for 12 months following bereavement. The bureau in North Wales reports that there is very little private one bedroom accommodation available for rent in the local area. Even if the client can find private sector accommodation the bureau noted that this was unlikely to cost less in terms of benefit than her current property. In all likelihood the client would still face a shortfall in benefit which she would need to pay from her other benefit income.

6.3 A South West Wales bureau reported a client who is currently unable to work due to a temporary disability. Usually a self employed photographer who uses their “spare” bedroom as a studio, his ability to return to work is compromised if he cannot afford to remain in the larger property until he is fit again.

7. Pressure on the Discretionary Housing Payment (DHP) Budget

7.1 Discretionary Housing Payments are paid from a cash limited fund devolved to local authorities to assist tenants to secure and retain accommodation where costs exceed the amount otherwise payable through housing benefits. The claims process and priorities are different in each local authority area and decisions on entitlement inconsistent with no automatic right to review or appeal though this is offered by some authorities.

7.2 The Discretionary Housing Payment budget is being increased for 2013–14 and again for 2014–15. Given the greatly increased numbers of claimants expected to be impacted by housing benefit and other welfare reforms next year we expect there to be a significant rise in the number of applications for Discretionary Housing Payments going forward.

7.3 We welcome the potential for the DHP budget outlined in the draft Discretionary Housing Payments Guidance Manual to be used to fund deposits and rent in advance for those tenants who are unable to secure alternative accommodation but expect this to add a further strain on a budget which will already be under significant pressure from those who can make a strong case for additional financial support to stay in the existing home. Citizens Advice Bureaux in Wales have strong evidence to demonstrate that the increased budget is still likely to fall very far short of what would be necessary to meet expected demand.

7.4 A client in North East Wales came to the bureau for help in maximising his income to cover a shortfall in rent consequent to the LHA rate. He had already approached his local authority to see what help was available and had been told that there was no point in applying for a Discretionary Housing Payment as there was a limited budget which was already at risk of being overspent.

7.5 A more recently unemployed client in South Wales was recently awarded a DHP in order to allow him to remain in a two bedroom property which makes it possible for his disabled son to stay at weekends. This arrangement provides his ex partner with regular weekend respite. He has been advised by the local authority that his case is unlikely meet the anticipated higher priority threshold for an award beyond the current six month commitment.
8. Equalities Impact of Housing Benefit Reform

8.1 Enquiries received by bureaux in Wales suggest there are a number of equalities issues arising from welfare for reform, this is particularly true looking ahead to the size restrictions for social housing. Long term illness, disability and family circumstances are all factors which can help to secure social housing in the first place and women, usually former lone parents whose children have left home, and disabled people appear to be disproportionately affected by the changes.

8.2 Disabled people may have additional needs which make it more difficult for them to secure suitable affordable accommodation in the private sector. Their homes may have had extensive adaptations which would need to be carried out again elsewhere at significant cost to the public purse. Although Discretionary Housing Payments can be used to prevent the need for people in these circumstances to move this is not a secure long term solution and it would be better for these tenants to be protected by some other form of exemption such as passported entitlement through the highest rate of Disability Living Allowance or the Personal Independence Payment. The established local support networks of disabled people are also at risk when people move out of the immediate area.

8.3 A mid Wales client has lived in her four bedroom Local Authority property for 23 years. The property has been extensively adapted over the years to accommodate her two disabled sons who are now adults, their sister left home some time ago but visits to provide her Mother with some respite. Her eldest son recently moved to a community house though he returns to his Mother’s each weekend as part of his care plan. From April 2013 they will be over-accommodated by two bedrooms and will need to make up a 25% shortfall in rent. Moving will require the new property to be similarly adapted and would disregard the strong family connections which have helped this family to support each other with minimal support from health and social services.

8.4 A 50 year old client with cerebral palsy and epilepsy inherited her tenancy in North Wales from his late father. He has excellent neighbours who enable him to live independently and he is worried at the prospect of moving to a one bedroom property on the other side of town.

9. Impact of the Benefit Cap

9.1 From April 2013 a maximum cap will be imposed on the amount of benefits a household can receive. The cap will be £500 per week for couples and lone parents and £350 per week for single people. If the household entitlement exceeds the applicable cap of £500/£350 the first payment which will be cut is housing benefit.

9.2 Families who will be subject to the benefits cap are facing difficult choices at present. We are concerned that families may be forced to separate which potentially impacts on social inclusion, educational attainment, caring responsibilities etc. Discretionary Housing Payments are unlikely to offer a long term solution to these cases.

9.3 A south east Wales bureau was contacted by extended families who have been informed they will be affected by the benefits cap. The couple had not understood that housing benefit would be the first payment to be reduced and that they would need to top up their rent from their benefits. They have concluded that, if they are unable to secure employment before April, the only way they will manage financially is to separate the family unit.

10. Direct Payment of Housing Benefit

10.1 As part of the transition to Universal Credit housing benefit will paid direct to claimants. It will then be for the claimant to pay their rent to the landlord in all cases regardless of whether the claimant is a private tenant or a social housing tenant. Although exceptions will be possible this will be the automatic default.

10.2 Examples already seen through direct payment of Local Housing Allowance to private tenants gives cause for concern that vulnerable tenants are at greater risk of homelessness where they are responsible for passing on their housing benefit to the landlord. Citizens Advice policy is to empower clients wherever possible but the mechanism to reverse the direct payment default needs to be made accessible for individuals where claimants recognise their own vulnerability. Allowing direct payment of benefits to landlords may also persuade landlords who are otherwise reluctant to rent property to tenants on benefits to reconsider.

10.3 A client in the South Wales valleys was already in rent arrears was unable to pay his rent when a payday lender emptied his bank account due to a continuous payment authority. The landlord informed the tenant that he would be issuing notice to quit the property unless the rent was brought up to date within four weeks.

10.4 A South East Wales bureau reported that their client, a social housing tenant in the direct payment pilot area and a former substance misuser in early recovery, had expressed his concerns regarding his ability to manage direct payment of housing benefit to his bank account.
11. Communication of the Changes

11.1 Clear and appropriate communication to those households affected by housing benefit reform helps all agencies to focus limited resources and support on those who cannot avoid their impact. Bureaux in Wales have reported good practice examples including local authorities contacting individual tenants affected by the Shared Accommodation Rate to establish realistic options and unhelpful examples of blanket communications which have caused anxiety for those who will not be impacted by housing benefit reforms.

11.2 A 34 year old man from South Wales with mobility problems signed a new tenancy agreement for a ground floor flat in late 2011 in ignorance of the change in legislation. When his benefit was later restricted to the amount of the Shared Accommodation Rate he had to borrow from family to make up his rent shortfall.

11.3 Pension age clients without non dependents who will not be affected by the size related criteria for social housing tenants have reported receiving correspondence from social landlords or local authorities across Wales indicating they will have to make additional payments due to under occupation from next April. This potentially vulnerable group should and could have been identified as unaffected by this change.

12. Homeless on the Grounds of Affordability

12.1 The Wales Code of Guidance for Local authorities on the Allocation of Accommodation and Homelessness 2012 says at 15.32 “Applicants should not be considered to have become homeless intentionally in circumstances where their accommodation which was previously affordable, became unaffordable as a result of changes in the rate of their local housing allowance/housing benefit,” which will potentially make it the responsibility of local authorities to re-house people in this situation. Whether that alternative accommodation is available is another issue and we can see that the DHP budget is likely to come under further pressure with these cases of which there are very many other examples within this paper.

12.2 A Valleys bureau reported their client who had been made redundant had exhausted all other options, including Discretionary Housing Payments which were refused, faced a shortfall of £93 per month between the LHA and her rent. The client was assisted to make an application for homelessness on the grounds of circumstances, he could not cover the mortgage payments on the property with the amount which the LHA would cover and would be unable to consider letting to a tenant who was dependent on benefits in future.

13. Availability of Suitable Alternative Accommodation

13.1 The Chartered Institute of Housing Cymru recognised in their recent report that pressure on the private sector is increasing and that a smaller proportion of property was now available to those dependent on benefit. Bureaux are in Wales are already seeing evidence of this and would expect this pressure to increase when people under occupying housing in the social housing sector are forced to look in the private sector for affordable housing. Social landlords confirm that the range of housing stock available in that sector will not stretch to accommodate those households who are seeking alternatives from next April. Bureau evidence indicates that this picture is worse in the valleys and other less urban parts of Wales.

13.2 Specific local concern has been raised with regard to the potential to increase private rents in the area around Wylfa B to take advantage of the workforce which will be an issue both for existing tenants and anyone looking to secure affordable accommodation.

13.3 A pensioner couple in West Wales reported that their private landlord was selling their home where they had lived for many years. The couple had been searching unsuccessfully for alternative privately rented accommodation which would be affordable within Local Housing Allowance limits. The local authority were also unable to offer them re-housing until they were imminently homeless and the prospect of temporary bed and breakfast accommodation caused great distress.

13.4 A client approached a mid Wales bureau for help when his Jobseekers Allowance was sanctioned for failing to take a job which he had been offered. The bureau supported his appeal against the sanction as his refusal was based on his inability to find affordable accommodation in the rural area where the opportunity was based.

13.5 A lone parent in South Wales was made redundant in late 2011. She was unable to cover her rent shortfall and fell into arrears which led to homelessness. She was already living in a hostel when she came to see the bureau and awaiting re-housing with her dependent child. She had been unable to secure an alternative private tenancy without a positive reference from her last landlord.

14. Potential for Mitigation in Wales

14.1 The Welsh Government’s Ministerial Task & Finish Group for Welfare reform have already undertaken some analysis of the existing evidence on the broad cumulative impact of the UK Government’s welfare reforms on individuals and households in Wales. Stage 2 of the their analysis, expected to be completed around the end of 2012, will try to estimate the likely behavioural responses and how these might change depending...
on the context of the Wales economy. With regard to the impact of housing benefit reforms in particular Welsh Government will have an opportunity to influence the future availability of an appropriate mix of housing stock according to household characteristics.

15. Recommendations

15.1 Affordable housing and rents eligible for Housing benefit and Universal Credit

15.1.1 Citizens Advice endorsed the definition of “affordable housing” adopted by Lord Whitty’s independent inquiry into affordable homes:3 “comfortable, secure homes in sound condition that are available to rent or buy without leaving households unable to afford their other basic needs (eg food, clothing, heating, transport and social life”).

15.1.2 The Government’s definition, in contrast, is “up to 80% of market rents”—which many people in many areas would, in fact, not be able to afford.

Recommendation 1:
We recommend that The Whitty Report definition of affordable homes should be adopted as official policy.

15.1.3 As regards rents eligible for Housing Benefit (HB)—and in due course the rental element of Universal Credit (UC), we fully accept that HB/UC cannot be expected to meet any rent, however high. But limits must take account of the consequences for poverty and hardship. The Government has commissioned a substantial research project into the cuts to HB in the private rented sector since April 2011. Meanwhile, bureaux are picking up growing numbers of cases where HB cuts are causing hardship and threatening homelessness.

Recommendation 2:
If, as many expect, the DWP-commissioned independent monitoring shows that there have been substantial adverse personal and social consequences, then the question of rents eligible for HB (and the rental element of UC) should be revisited by Government, this time from the perspective of tackling poverty and promoting social inclusion.

15.2 Under occupations rules

15.2.1 Restriction of HB payable for accommodation of various sizes has been a feature of the scheme in the private rented sector from the outset. From April 2013, size restrictions are to be extended to social housing. This has become known as the “bedroom tax”, as the DWP’s own impact assessment expects less than a fifth of affected claimants to move, the measure is widely perceived as a levy on benefits rather than a genuine attempt to reduce under-occupation.

15.2.2 Meanwhile, in the private rented sector also, it is arguable that a spare room for the occasional guest should be seen as part of normal social interaction.

Recommendation 3:
HB/UC should be payable for a spare room, as part of normal social interaction.

Recommendation 4:
In the social rented sector, under-occupation should be seen as a matter for housing management, not benefit cuts.

15.3 Benefit cap

15.3.1 Ensuring that work pays should be a matter of bolstering in-work incomes, not cutting out-of-work benefits.

15.3.2 In any case, it is illogical to include benefits that are available on similar terms both in and out of work, notably HB/the rental component of UC; Child Tax Credits/the children’s elements of UC; and Child Benefit.

Recommendation 5:
The benefit cap should not apply to benefits that are available on similar terms both in and out of work.

15.4 Cumulative impact of benefit cuts

15.4.1 Cuts to a range of benefits will often impact on the same individuals and families, having a multiple impact and causing considerable hardship. This is a neglected issue and is not adequately monitored. HB rides on top of other benefits and is received by the full range of claimant groups, so will feature strongly in multiple impacts—as will the rental element of UC.

3 To have or have not?—taking responsibility for tomorrow’s affordable homes today, Lord Whitty [Chair], report of the Independent Inquiry into the Affordable Homes Crisis, Housing Voice, September 2012.
Recommendation 6:
Proposals for benefit legislation should be accompanied by a poverty impact assessment sufficiently sophisticated to provide estimates of multiple impacts.

15.5 Direct payment of HB/UC to landlords

15.5.1 This is already the default position for HB in the private rented sector, it is intended that this will be the case in all sectors when UC is introduced. A number of “demonstration projects” are under way to test this approach. There will be exceptions, relating to vulnerability and/or rent arrears. It is expected that arrears will be a significant problem.

Recommendation 7:
Unless there is a reason for mandatory direct payment to the landlord (rent arrears above a specified level or vulnerability issues such as drug or alcohol abuse) the choice should lie with the claimant as to who—claimant or landlord—should receive benefit payments for rent. This could be on an “opt in” basis (analogous to setting up a direct debit) to satisfy the Government’s concern with active claimant engagement.

15.6 Non-dependant deductions

15.6.1 These are deductions from rent eligible for HB (and support for mortgage interest) based on assumed contributions from “non-dependants” such as grown-up children and elderly relatives. They cause various problems (of hardship, complexity, housing options and work disincentives) and the previous Government had frozen them for some years, with a view to phasing them out. The current Government has returned to a policy of increasing them, well above the rate of inflation. They are to be restructured (and re-named “housing cost contributions”) in the context of Universal Credit, with an emphasis on reducing work disincentives for the non-dependant, but at the cost of extending their impact elsewhere, notably to many young unemployed people and their parents.

Recommendation 8:
The previous policy of freezing non-dependant deductions should be reinstated.

December 2012

Written evidence from Cynon Taf Community Housing Group (CHB 06)

1.0 Introduction and Scope

1.1 The Cynon Taf Community Housing Group (the Group) and it’s wholly owned subsidiary Care and Repair Rhondda Cynon Taf, operates solely in the County Borough of Rhondda Cynon Taf.

1.2 The Group has some 1,850 tenancies delivering housing and housing related services to families, single people and childless couples, older people, those with physical disabilities, and vulnerable people with mental health, substance misuse, the homeless and domestic violence issues.

1.3 This paper attempts to illustrate the effect on our association and our tenants of the Housing Benefit (HB) reform and the implications of the introduction of Universal Credit (UC)

2.0 Changes in Housing Benefit

2.1 The introduction of the “Bedroom Tax” will have a severe affect on a considerable number of the Group’s tenants. The Group has identified that 29% of our tenants are under occupying by one bedroom and 11% by two bedrooms.

2.2 In terms of the exposure to the organisation, if all of our tenants so affected paid nothing to meet the shortfall in rent, the potential loss, of income would be £393k. Currently, we are anticipating that a more realistic assessment will be that our rent arrears will increase by 50%, making an annual total of £450K.

2.3 By way of a real life example, M s L, lives in a three bedded house, she is a widow with a nine year old son (her two older sons have moved out of the family home). M s L contributes £1.50 per week to her rent, but under the new proposals will have to find £10.60 a week.

2.4 There will be a real difficulty in meeting the additional cost of rent, as M s L is already having difficulty in meeting her financial commitments.

2.5 The real dilemma for tenants and landlords is that in many of our existing, terraced streets, smaller properties are not there in sufficient numbers to satisfy the demand and as such exposure to a shortfall in benefit cannot be avoided.

M s L has lived in this property for many years and has an extensive network of family and friends in the area. She is able to provide support and contributes a great deal to the community in which she lives.
3.0 **Impact of Universal Credit**

3.1 The Group supports the move to a simplified benefit system and understands the drivers for containing the welfare budget, but sees the arrangement of paying directly to the tenant as unnecessary and only adds to the exposure to increased rent arrears.

3.2 Many of our tenants are on low income and there will be added pressure to budget over a longer period i.e four weeks, and this will expose many for the need of short term finance and hence vulnerability to "payday loan" companies and illegal money lending which is prevalent in the communities in which we work.

3.3 Previous pilots have shown that the consequence of removing direct payments has indeed increased rent arrears and is unpopular those in receipt of HB.

4.0 **Administration Concerns**

4.1 Moving to a more centralised system is something that the Group cannot support. This organisation has built extremely good relationships with Local Authority housing benefit departments and the ability to sort out queries quickly and efficiently for the benefit of landlords and tenants should not be undervalued.

4.2 The proposed change to pay UC on a monthly basis and in arrears will lead to difficulties, not only in cash flow for landlords and as mentioned above will increase the need for tenants to budget effectively.

4.3 The move to claiming "on line" is not supported by the number of tenants who have access to the internet and are comfortable with dealing with their financial affairs via this mode of communication. Additionally the broadband coverage in the area we operate is not comprehensive and will significantly impact on tenants ability to comply with this initiative and therefore would urge you to consider ways to address this imbalance.

5.0 **Wider Concerns**

5.1 The effect of not paying rent will eventually expose tenants to putting their homes at risk. The real cost will be far wider.

5.2 It is anticipated that greater debt and financial pressures on households, will lead to an increase in homelessness in domestic violence, crime, anti-social behaviour and pressures on child care agencies.

5.3 The resultant disruption to communities and family networks will have an adverse effect on the good work that has been done through several government initiatives, including the Community Firsts programme in Wales.

6.0 **Conclusions**

6.1 The drive for welfare reform is understood, but the effects of the current proposal for implementation will add cost to the public purse placing further pressures on already the most vulnerable in our society.

December 2012

**Written evidence from Shelter Cymru (CHB 09)**

1. **About us**

1.1 Shelter Cymru is Wales’s people and homes charity. We believe that a decent, secure home is a fundamental right and essential to the health and well-being of people and communities.

1.2 We provide independent, specialist advice, advocacy and legal representation for anyone with housing problems. Last year, our advisers assisted nearly 17,000 people from all over Wales, helping to prevent homelessness in 90% of the cases where it was threatened. Over the same period, there were more than 80,000 unique visitors to the Advice Online section of our website.

1.3 Through our campaigning, research and policy work we aim to improve housing law and services, while our education service helps to prevent homelessness through working directly with young people and providing detailed teaching and learning resources.

2. **Introduction**

2.1 We welcome the opportunity to contribute to this inquiry. In our view there is no doubt that the changes to housing benefit will have a significant detrimental effect on the ability of many thousands of people in Wales to find and keep a secure home.

2.2 This paper looks at a number of aspects of the housing benefit changes and illustrates their impact with case studies identified through our advice work and by partner organisations, namely Welsh Tenants and the Homelessness Network. It concludes with our views on the coherence of the changes and their effect on private landlords.
3. Reduction in Local Housing Allowance

3.1 The reduction in LHA to cover only the bottom 30% of the market has placed the majority of the private rented sector beyond the reach of many people on low incomes, who either have to find cheaper accommodation or make up a greater shortfall between their rent and the benefit they receive.

3.2 This situation is exacerbated by the widespread reluctance or inability of private sector landlords to reduce rents. Prior to the reduction being introduced, a survey carried out by the National Landlords Association found that 67% of its members would not be able to reduce their rents in line with the LHA cut.

3.3 According to the Department for Work and Pensions’ impact assessment, the LHA cut will reduce the availability of affordable rented accommodation by between 15 and 25% across Wales. In addition, there are often considerable variations in rent levels within Broad Rental Market Areas (BRMA).

3.4 In Carmarthenshire for example, low rents in Llanelli and parts of the Gwendraeth and Amman Valleys bring the 30th percentile down significantly. The change is continuing to leave claimants in Carmarthen and the small towns of the north, the west and the coast/estuary with substantial shortfalls and lacking the option to move to cheaper accommodation without losing formal and informal support networks. In these areas, landlords have no incentive to reduce rents as anticipated by the UK government.

3.5 For unemployed or sick single claimants below pension credit age, the situation is particularly challenging because they have to make up the shortfall from their income-related benefit. Some single people in their 60s and 70s are saying they have been forced into cheaper, less well-maintained and less thermally efficient properties because of shortfalls and/or increasing fuel prices. Rural areas where oil and solid fuel are the norm are especially badly hit.

Case studies

3.6 L is a pensioner on pension credit with age-related health issues. Faced with a shortfall she had decided not to move from a property above the 30th percentile because it is close to her GP, to the shops and other facilities. She is instead turning off her heating for most of the day.

3.7 S is a 59 year old man with care needs arising from mobility issues and living on income related benefits. He could only afford a cold flat unsuitable for his disability in a converted stone building (18th century, no cavity wall, no insulation, draughty windows). The high cost of heating makes the home unaffordable for him and the Environmental Health Department’s assessment of the prospect for improving the thermal efficiency of the building is very low. There is only a slight HB shortfall, so discretionary housing payments are not available. This provides an example of how the LHA changes are creating housing need as, in light of the poor living conditions, Shelter Cymru has assisted in ensuring that the service user has high priority for re-housing with the council.

3.8 B, a service user under pension age with bi-polar disorder, depression and long term physical ill health, states that she lives in a touring caravan rented from a private landlord because she believes it is all she can afford as a single person whilst remaining close to her daughter. Her daughter is unable to accommodate B in her home as she has only one bedroom. B states she cannot move to the cheaper parts of the county as her daughter’s support is vital to her.

4. Extension of the Shared Accommodation Rate

Case studies

4.1 D is a 30 year old single man who has just had his housing benefit cut by around £20 per week due to the extension of the Shared Accommodation Rate (SAR) to people up to 35 years old. He receives around £70 per week in Job Seekers Allowance. He is quite vulnerable, so doesn’t feel safe to share a house with others and he is unable to go back to live with his family. His adviser believes that there is a very serious risk that he will either fall into rent arrears and be at risk of homelessness or that he wont feed himself properly and cut right back on gas and electricity.

4.2 M is a single man aged 34 living in a two bedroomed flat. He is currently in part time employment working 16 hours a week. He receives housing benefit but does not claim any other benefits. The reduction in the LHA means he is only entitled to £45.00 per week, leaving him with a shortfall of £25.00 per week. He has a daughter who stays with him three nights a week so he is unable to move to a smaller property, share accommodation or return to his parents. He would like to work more hours but his employer is unable to offer any more work due to the recession. Meanwhile his landlord is unable to reduce the rent. In this instance, because M is 35 years old in January 2013, a DHP was awarded to cover the shortfall until he turned 35 and became entitled to the full LHA. This ensured that M was able to maintain his tenancy and stability for himself and his daughter.
5. **Under-Occupancy (The “Bedroom Tax”)**

5.1 Many of our clients are very worried about the implications of the bedroom tax. Families who have been in their homes for many years and whose children have left home are now facing a 14 or 25% cut in their benefit and are frightened that they will be forced to move away from their communities.

5.2 Meanwhile, others are too afraid to accept offers of a council or housing association property as they fear that they will not be able to afford it when the changes come in. Many people report that they are reducing the amount they spend on heating and food in order to remain in their homes, so putting their health and well-being at risk.

**Case studies**

5.3 J is a single mother with two sons aged 14 and five. She has a three bedroom house and receives full housing benefit and Disability Living Allowance (DLA). She is not in paid employment but works in a voluntary capacity. Under the new rules she will be under-occupying the property as the two boys will be expected to share a bedroom, despite the youngest having hyperactivity disorder. As a result, her housing benefit will be reduced by £48 per month, which she will have to make up out of her benefits. Her 14 year old son has said that he intends to give up his weekend sports and find a job to help pay for his bedroom, as he does not want his mother to take in a lodger and for him to share his bedroom with his younger brother. J is concerned that if she did take in a lodger then it would seriously disrupt home life for all the family, while sharing a bedroom would affect her oldest son’s ability to study.

5.4 N is a single parent with one child and is very vulnerable. She has been offered a three bedroom council house, which she describes as ideal, but is too scared to accept it due to the under-occupancy rules as she will be penalised 14% of her rent, leaving her at risk of arrears and eventual homelessness.

6. **Increase in Non-Dependant Deductions**

6.1 The increase in non-dependant deductions has left some clients struggling to pay their rent as in many cases their adult children (the non-dependants) have not paid their contribution. Our advisers report at least two recent cases where this has led to people not being able to keep to the terms of a suspended possession court order. In one case, prior to our involvement, a tenant had evicted her non-dependant son, causing him to be homeless.

7. **Other Welfare Reform Issues**

7.1 The decision announced in the Chancellor’s Autumn statement to increase benefits by well under the rate of inflation amounts to a cut in real terms and is another factor that will make life almost impossible for people on low incomes to pay their rent or meet the shortfall produced by the bedroom tax and the extension to the Shared Accommodation Rate. This in turn is likely to lead to more people in arrears and threatened with homelessness.

7.2 The transfer of claims to an entirely online system is also a concern, particularly among older people who state that they are either not confident about using the internet or have never used it.

**Case studies**

7.3 P is a single woman who worked part time and paid her rent with the help of partial housing benefit payments. Her benefit entitlement changed as a result of Government welfare reforms, causing her to lose more than £40 per week. P initially managed to make up the difference in the rent out of her part time wages, but she was not paying other bills in a desperate attempt not to lose her home.

7.4 P approached the mitigation worker in the council for help, as she had reached a stage where she had no money to keep this arrangement going and was facing the choice of either paying their rent or buying food.

7.5 The mitigation worker applied for Discretionary Housing Benefits (DHP) for P to ensure the rent was covered while he undertook investigations. He was able to negotiate with the landlord to hold back from seeking to evict P while he did this work.

7.6 He discovered from P’s housing history that as a teenager she had been in a homeless hostel in another area. If they could prove this, P would be entitled to more help with her rent. However the records for that period were no longer available. The mitigation worker eventually traced a former manager, who was able to confirm that P had been at the hostel, and this proof was provided to Housing Benefit. This took several months, and without the DHPs and assurances to the landlord from the mitigation officer, P would have been made homeless.

7.7 Once P’s extra benefit was approved, it was backdated and the lump sum was used to clear the debts that had built up before she sought the council’s help. Her rent is now paid and her housing and financial circumstances have stabilised.
8. Is the Housing Benefit Policy Coherent and does it Enable Access to Homes in Wales?

8.1 In our view, the housing benefit policy lacks coherence and is often contradictory. The LHA cuts restrict access to homes in Wales, while the under-occupancy rules will penalise people for circumstances that are more often than not beyond their control.

8.2 The under-occupancy rule and the extension of the Shared Accommodation Rate (SAR) to under-35 year olds could both have a serious impact on separated parents who rely on a second bedroom in order to have regular access visits from their children, so undermining the stability of family relationships.

8.3 The increase in non-dependant deductions means that young people from low-income families who continue to live at home could significantly reduce the ability of the household to meet its rent. Meanwhile moving out could be almost impossible due to the shortage of suitable properties available under the SAR.

8.4 Research carried out in 2005 found that people under 25 (ie subject to the SAR) had difficulty in finding decent and affordable accommodation and in 70% of cases the benefit rate did not cover the cost of the rent.

9. The Effect on Private Landlords

9.1 We believe that the changes to housing benefit will discourage landlords from renting within the LHA market.

9.2 A survey by the National Landlords Association in 2011 found that 77% of landlords who have LHA tenants were either considering or already taking steps to reduce their involvement in the LHA market. One quarter of respondents said they are already reducing the number of tenants they have on housing benefit payments, while half plan to do so in the future.

9.3 We also have anecdotal reports that some social lettings agencies are experiencing a drop in landlord participation and this is thought to be landlords not leaving the business but switching to another market.

December 2012

Written evidence from the Welsh Government (CHB 10)

Executive Summary

1. The Welsh Government welcomes the opportunity to contribute to the Committee’s inquiry and the opportunity to highlight the social, demographic and financial impacts of such reforms.

2. While welfare reform, including changes to housing benefit is outside the Welsh Government’s control, it has to manage the fall out of the changes.

3. The changes are having, and will continue to have, a significant impact on people in Wales, in some cases, some of our most vulnerable people.

4. The impacts of housing benefit reform can be cumulative and it is possible, for a family to be worse off by £85.00 per week (or around £4,500+ per annum) as a consequence of the April 2011 to April 2013 changes. This is based upon average losses only, some people will be worse off than that.

5. Local authorities have undertaken their own assessment of the reforms and it is clear that the ramifications will also be felt in the wider community as significant amounts of income are taken away from individual customers. It is provisionally estimated that each £1.00 of income lost could be associated with a total loss to Wales somewhere in the range of £1.00–£1.50.4

6. The move to a simplified benefit system is recognised but full of risk as the policy appears to be incoherent and developed on the hoof. We have given a number of examples. Furthermore, the Government’s rationale for direct payment of benefit and preparedness for work have been undermined by the concessions given to Northern Ireland.

7. The welfare reforms are impacting on housing policy in Wales. In the private rented sector, there is an affordability issue. In the social rented sector, there is increased demand for those precluded from private rented sector (affordability) and for smaller accommodation for those affected by the under occupancy rules.

8. Direct payments are expected to lead to increased arrears, and will result in increased demand for temporary accommodation. This reverses the considerable success we have had in Wales in recent years in reducing dependency on short term temporary accommodation.

9. The Welsh Government continues to support local authorities and third sector organisations to help people cope with the changes.

4 Analysing the impact of the UK Government’s welfare reforms in Wales—Stage 1 analysis—http://wales.gov.uk/topics/educationandskills/publications/reports/analysingreforms/?lang=en
Introduction

1. The opportunity to contribute to the Committee's inquiry on the impact of changes to housing benefit in Wales is welcome.

2. The Welsh Government notes the UK Government's aspirations for welfare reform. The case for some aspects of the reform, specifically the aim of achieving a simpler, more transparent benefit system, in which work pays and poverty can be tackled, is understood. However, taken collectively, the impacts of the changes, notably the changes to Housing Benefit and the way in which they are being implemented, have significant negative impacts for people in all parts of Wales.

3. The changes have the potential to drive many of the most vulnerable members of our society into even deeper poverty, with the associated damage to the health and well being of both adults and children. The changes risk long-term damage to people's life opportunities by undermining the strenuous efforts that are being made by the Welsh Government, by local authorities, and by many other organisations to reduce poverty.

The Impacts in Wales

4. The changes to housing benefit in April 2011 included:
   (a) changing the basis for setting Local Housing Allowance rates from the median to the 30th percentile of local market rents;
   (b) introducing a cap on rates of Local Housing Allowance, which will be paid for a maximum of four bedrooms (five-bedroom rate no longer available); and
   (c) removing the provision for claimants to retain a maximum of £15 per week where their rent is below the local housing allowance rate.

5. The Department for Work and Pensions has estimated that 48,500 local people in Wales (99.6% of all recipients of Local Housing Allowance) lose money because of the above changes. The average weekly loss per person is estimated to be £9.

6. Raising the age under which the Shared Accommodation Rate applies from 25 to 34 (from January 2012) is estimated to have affected around 3,100 people, with an average loss of income of £24 per week.

7. Further changes planned include:
   (a) The decision to set Local Housing Allowance rates annually and to limit increases in line with Consumer Prices Index inflation, means that approximately 48,500 people in Wales will lose an average of £6 per person per week.
   (b) New under-occupancy rules in the social rented sector from April 2013 will impact on 40,000 housing benefit claimants of working-age. This is equivalent to 46% of housing benefit claimants in the social rented sector in Wales. The average for Great Britain is 31%, which means that Wales is disproportionately affected by this change. The average weekly housing benefit loss per affected claimant is estimated to be £12 in Wales.
   (c) Based on Department for Work and Pensions' own impact assessments, the changes to housing benefit will amount to a total average loss of income approximately £1.2 million per week in Wales. This is a significant sum, which would have found its way into local economies.
   (d) It must be emphasised that this total loss figure excludes the impact of capping benefit payments at £500 per week for families (£350 per week if single and no children). This change is likely to impact on around 1,500 households in Wales with the average weekly loss estimated to be around £70 per week.

8. The financial impacts are cumulative. For example, it is possible for a family in the private rented sector to be caught by three separate areas of reform. First, the April 2011 changes; second, the lack of monthly up-rating of local housing allowances and third, the benefits cap. The collective effect of these three changes would amount to a benefit reduction of more than £85 per week or nearly £4,500 per year. This is a staggering amount for a family that is already likely to be struggling to make ends meet.

9. Our own research\(^5\) has also identified that:
   (a) Wales has a higher dependence on welfare benefits than Great Britain as a whole. Therefore, any income losses resulting from welfare reform changes are expected to be felt disproportionately in Wales.
   (b) Based on the proportion of the population claiming out-of-work benefits together with the distribution of low-income households, the South Wales Valleys and the inner city areas of Cardiff, Newport and Swansea are most likely to be disproportionately impacted by the changes, notwithstanding the impact on the rest of Wales.
   (c) The reforms will raise poverty among families with children more than among working-age adults without children.

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\(^5\) Analysing the impact of the UK Government's welfare reforms in Wales—Stage 1 analysis—http://wales.gov.uk/topics/educationandskills/publications/reports/analysingreforms/?lang=en
A small number of studies that have looked at the impact of past welfare reforms on crime have been drawn upon (given their broad similarities to the current reforms). These suggest cuts to benefits and more stringent benefit entitlement rules may push people out of unemployment and into crime activities. There is also some evidence that the timing and frequency of welfare payments can impact on crime levels.

10. The Department for Work and Pensions’ own research highlights significant impacts for those outside of London:

(a) Two thirds of Housing Benefit recipients (66%) have a shortfall between the local housing allowance they receive and the rent they pay. This compares to a figure of 48% prior to the reforms.
(b) Those who find themselves in this situation tend to economise on essential and non-essential items in the household budget, drawing on other benefits and borrowing money from family and friends.
(c) More than 40% found it difficult to afford the rent charged in their current accommodation, which suggests that people on low incomes are being squeezed out of the rental market because of affordability issues.
(d) The most common approach to a future possible reduction in housing benefit was cutting back on essential and non-essential items. A third said they would look for work but the realities of local labour markets in Wales presents significant challenges.
(e) Three out of 10 people living outside London said they were reluctant to move because they liked where they were currently living. This approach will impact on those in the social rented sector who will be affected by the under occupancy rules. This suggests that people will be reluctant to move if there are no suitably sized properties available for them in their local community.

11. The research indicates a worsening problem for housing benefit tenants even at a time when Department for Work and Pensions have increased discretionary housing payments funds, allowed discretionary housing payments under-spends to be carried forward by local authorities and introduced transitional protection for existing customers. Now that these inducements are coming to an end, the Welsh Government is keen to understand what measures DWP will take to control any emerging difficulties for tenants. I suspect the problems will become very difficult to control.

12. Welfare Reform has highlighted a major issue for Wales with non devolved matters influencing policy in devolved areas. The changes are outside the control of the Welsh Government yet it has to manage the impacts and the fall out of the changes. Realistically, we already know from landlord organisations that not all private landlords will automatically reduce their rents to accommodate low-income families. Dealing with a shortfall in the money they have to pay their rent is challenging and presents difficult decisions. For example:

(a) Renegotiate the rent with landlord.
(b) Claim discretionary housing payments from local authority.
(c) Continue to top up the rent by reducing expenditure in essential and non essential items. This can mean reducing money spent on food, which carries with it risks to their nutrition and health, which is of particular concern in the case of children.
(d) Move to cheaper, perhaps poorer quality housing, potentially in a different geographical area, which also carries risks for physical and mental health and well being.
(e) Move to the social rented sector where accommodation is generally better and cheaper but where supply is extremely limited and waiting lists reflect demand exceeding supply.
(f) Do not top up the rent and fall into arrears, which risk more serious financial difficulties and possible eviction.

13. Some Welsh local authorities have undertaken an assessment of the likely effects that welfare reform will have in their areas:

(a) The greatest financial risk to the Flintshire County Council is the introduction of the Council Tax Benefit replacement scheme that will potentially represent a significant financial pressure; and the timescale within which all of the projects need to be successfully delivered.
(b) The reforms of housing benefit from 2011 to 2013 will result in a loss of Housing Benefit to Flintshire County Council totalling £16,000 per week (£650,000 per annum). This is a significant amount of money being taken out of the local economy.
(c) The Welsh Local Government Association has estimated that:

(i) around 220,000 claimants in Wales will have to pay some council tax for the first time (ranging from £100—£300);

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6 Monitoring the impact of changes to the Local Housing Allowance system of housing benefit: Summary of early findings—http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_798.asp
7 Wales on the Edge—http://www.bevanfoundation.org/publications/wales-on-the-edge/
(ii) Collecting small amounts from the poorest households carries a huge administrative cost to local authorities which will result in lost revenue to local areas.

(d) Cardiff City Council has evaluated the following impacts:

(i) Economic—Households in Wales are set to lose 4.1% of their income or £1,110 per year. The loss to the economy could be 1.5 times this amount.

(ii) Child Poverty—The poorest households with children will lose the largest proportion of their income; worst affected will be families with children under five (or with more than two children) and those having to change school which will disrupt education.

(iii) Social and financial—Possible reduced social and ethnic mix and greater concentration of benefit claimants; increase in debt (use of loan sharks, personal bankruptcy and pressure on advice services); cuts to benefit and the timing and frequency of payments can impact on crime levels; and could result in an increase in anti-social behaviour, prostitution and social discontent.

14. There are likely to be adverse impact on individuals and devolved services. Problems arise when families are forced to make savings in essential expenditure such as heating, lighting and food. The health of both adults and children may be compromised with potential impacts on health and social care services, and educational attainment. Pressures within families are likely to increase which could easily in some cases have an adverse impact on relationships and lead to increased instances of domestic violence, family breakdown and anti-social behaviour. The latter, together with any persons who decide to turn to alternative, illegal, ways of funding shortfalls in rent, would lead to greater pressure on police services.

The Impacts of Universal Credit

15. From October 2013, Universal Credit, which is designed to be a new simplified benefit system, will commence roll out. The case for this apparently less complicated approach to benefits, as stated earlier, is noted, but potentially problematic. I understand that there will be flexible arrangements in exceptional circumstances however, Universal Credit will be paid calendar monthly in arrears to one named person in the household. All applications for Universal Credit are to be made electronically by default and administered centrally by Department for Work and Pensions. The following paragraphs consider the impacts of the proposals:

Direct Payment of Benefit

16. The expectation is that Universal Credit will be paid directly to the customer and that the choice over how payments can be made will be removed. This will happen for the first time in the social rented sector. The impacts in the social rented sector are likely to be similar for those experienced in the private rented sector. These include:

(a) increased numbers of people not paying their full rent fully and/or regularly due to the inability to manage their income.

(b) Greater levels of arrears, which puts tenants into very difficult positions and risks homelessness. At the same time, greater arrears can impact significantly on the business plans of housing associations, which can affect their ability to invest and develop new, much needed, housing.

17. The intervention policy is currently eight weeks of arrears before a local authority can intervene (upon request) for the payment of housing costs to be paid to the landlord. The current demonstration projects are considering an intervention policy for all claimants of four, eight or 12 weeks. We are both surprised and concerned that the Department for Work and Pensions is actually considering a period of 12 weeks before an intervention can be made. Prevention and early intervention is vital to avoid individuals and families becoming in a situation where their level of debt makes it very difficult for them to recover.

18. The impact on social rented sector income streams must not be underestimated at a time when there is a growing demand for housing. As indicated above, it risks Registered Social Landlords’ financial capabilities of reinvesting in their stock (maintaining and improving quality) in the future and investing in new developments.

Payment of Benefits Calendar Monthly-in-Arrears

19. Currently, customers receive their different benefits at varying times of the month thus allowing for them to budget between the receipt of each. However, when benefit is paid as a lump sum calendar month in arrears, it will put undue pressure on these families ability to budget. Unless adequate and timely support is available to people, problems will result yet the changes are happening at a time when, paradoxically, the UK Government is withdrawing support.

Payment of Benefit to a Named Individual in the Household

20. A further area of concern is the payment of benefit to one person in a household. We have huge concern for dysfunctional families where, for example, the named person has addiction issues eg addictions to drugs, drink, gambling etc. Will Universal Credit payments be used for family expenses ie food, rent, heating lighting,
council tax, clothes etc? How will this impact on families? This could result in family breakdowns and place extra demand on support services. A gain, it will be devolved services which will be managing the consequences and fall out of the reforms, putting even greater pressure on public services that are themselves being cut due to reductions in public sector finances.

**Digital by Default**

21. The expectation is that all claims for Universal Credit will be made digitally to the Department for Work and Pensions who will be the sole provider for Universal Credit. We have concerns for people who are not literate or IT literate, who do not have access to a computer. This includes a wide range of people including older persons, those who are vulnerable, have learning difficulties etc. They require support yet the provision that will be available is questionable. Currently, if a customer has problems they are able to seek support from their local authority. The lack of facilities for such support and the lack of Department for Work and Pensions funded resource in local authorities is of great concern, as is the risk to front line local authority staff who will have to deal with the inevitable frustration and anger from people who need help simply in order to be able to access their benefits in a timely manner, without delays that could cause them and their families great hardship.

**Northern Ireland Arrangements**

22. It appears that a compelling case was put forward by the Northern Ireland executive and a high level decision made for the following concessions:

(a) Rolling out the new universal credit scheme six months after the rest of the UK; and
(b) Introducing a range of payment flexibilities to help those with budgeting difficulties.

23. We know that the benefits systems are devolved to Northern Ireland but the outcomes for the people in Ireland and Wales are no different. All will have to deal with the financial impacts of welfare reform. This appears to be a case of double standards. It seems to undermine the Department for Work and Pensions’ case for direct payment of housing costs to a tenant, payment of Universal Credit to one person in the household and the need to steamroller through the introduction of Universal Credit. It begs a number of questions:

(a) What is so compelling for concessions in Northern Ireland?
(b) If Universal Credit can be postponed for one area in the UK, why not others?
(c) Why are direct payments to landlords acceptable in Northern Ireland but not so in the remainder of the UK? Choice over payment of benefit was removed from the private rented sector in 2008 and social rented sector from October 2013?
(d) Why is it acceptable to delay implementation to allow for development of an IT system in Northern Ireland? The remainder of the UK will have to struggle with a number of systems with no guarantee that these will be able to operate effectively.

24. This concession undermines one of the main tenets of benefit reform; that is, unemployed people being able to manage their finances in the same way as people in work.

**Is The Housing Benefit Policy Coherent And Enables Access To Homes In Wales?**

25. The following paragraphs explain why elements of Housing Benefit policy are incoherent:

26. In April 2011, the UK Government decided to increase non-dependant deductions, which discourage people to share accommodation. However, in January 2012 the UK Government extended the Shared Accommodation Rate to under 35’s, which encourages young people to share.

27. The “shopping incentive”, which was introduced in April 2008, encouraged would-be claimants to negotiate their rental agreements below the Local Housing Allowance rate in order to boost their incomes. This was eroded and finally withdrawn in April 2011. There is now no incentive for a tenant to accept a rent other than the publicised local housing allowance.

28. From 15 January 1989, rent control was abolished in favour of rents based upon the open market (supply and demand). However, the publicised local housing allowances rates have now become the market rent (irrespective of condition) and resulted in a huge increase in the Housing Benefit bill. Part of the reason for reform is to reduce the total benefits bill. However, one can argue that it is Department for Work and Pensions’ policies and policy changes have added to the Housing Benefit bill.

29. The move to 30th percentile has introduced an affordability issue for low income families, resulting in increased demand for properties in the social rented sector. This has taken place at a time where demand is at its highest with many on waiting lists never being able to secure a property. The situation is likely to be exacerbated with the new occupancy rules from April 2013 in the social rented sector.

30. Paying a flat rate local housing allowance based upon family size and not condition of dwellings discourages landlords from improving their housing stock. Furthermore, The Housing Act 1988 impacted on security of tenure with the introduction of assured short hold tenancies. Consequently, a tenant living in sub-standard accommodation is unlikely to complain to their local authority about housing conditions as it is likely to result in them receiving a two month notice to quit.
31. Policy makers in the Department for Work and Pensions may consider their policies to be coherent and achieve their objective of reducing the welfare bill. However, have Ministers considered the impacts, pressures and costs that these reforms may have in devolved areas? Is this simply a way of transferring expenditure from UK Government to devolved areas without proper recompense?

32. Support for Mortgage Interest will be included as a housing cost within the Universal Credit system. The following rules will apply to this:

(a) An owner occupier claimant or partner will not receive help with their housing costs if they are doing any paid work. This is incoherent with regards to people entering any type of work because this policy discourages low paid or part time work and is not consistent with the UK government policy of making work pay;

(b) The qualifying period for entitlement may be increased to 39 weeks (yet to be announced) and interest will be paid on a maximum capital value of £100,000. Owner occupiers will have to wait nine months before receiving financial help and then only on part of their mortgage if it exceeds £100,000. This will result in increased arrears, leading to repossession and ultimately increased demand on the rented sector;

(c) Payments under the scheme will be based upon a standard interest rate which will be the average mortgage rate published by the Bank of England. This assumes that everyone has access to “high street” lending rates. What about those with low incomes or poor credit rating who have to pay inflated interest rates to secure borrowing? Again this will lead to mortgage arrears and ultimately repossession;

(d) When a claimant has received help with housing costs for a period of two years, these payments will stop and will not be reinstated until a claimant has had a break in claim and has served a further waiting period. What about those who are long term unemployed or there is a paucity of jobs? What are these people expected to do? The likely outcome is that their homes will be repossessed adding pressure to the rental market.

33. We have concerns that where people are homeless and endeavouring to secure accommodation, they will not receive help from the discretionary housing payments fund as they do not have an existing rental liability. It would be more coherent if discretionary housing payments could be granted on the basis of an underlying entitlement to Housing Benefit/Universal Credit by that claimant securing a home.

34. The reforms to housing benefit do not enable access to homes in Wales because:

(a) Low income tenants in the private rented sector are being marginalised because of affordability/availability issues;

(b) Those who have private rented sector housing (in the majority of cases) already have to fund a shortfall in rent. This leads to a move to poorer quality housing or may start the downward spiral into homelessness;

(c) Social rented sector housing would normally be an area that those in private rented sector would migrate to when affordability becomes an issue. Demands are growing in this area;

(d) The social rented sector under-occupancy reforms could lead to increased rent arrears, increased costs for landlords in obtaining shortfalls and increased cost of litigation. Direct payments under Universal Credit may impact on business plans within the social rented sector and their ability to borrow monies at preferential rates. As a consequence, impacting on their ability to reinvest and build new properties;

(e) Furthermore, the new under occupancy rules will force working age tenants to downsize because of the financial pressures caused by this policy. Furthermore the policy, wrongly assumes, that there adequately sized properties available for people to move into. This is borne out in the report—The Bedroom Tax Project, the work for which was supported by the Welsh Government.

(f) Payment of Support for Mortgage Interest within Universal Credit and the proposed changes are likely to result in repossessions and increased demand for rental accommodation.

Is benefit reform in danger of driving private landlords out of the low income rental market, thereby increasing shortages of social housing?

35. As mentioned above there are concerns about the how landlords will react to welfare reform in the private rented sector. The National Landlords Association reported in October 2011 that:

(a) 77% of landlords who have local housing allowance tenants are either considering or already taking steps to reduce their involvement in the local housing allowance market.

(b) A quarter of respondents say they are already reducing the number of tenants they have on housing benefit payments, while half plan to do so in the future.

36. Landlords who have a business model centred on the benefit system will continue to let to larger families in poorer quality housing. However, landlords who work in a buoyant market will be able to turn their backs

on benefit claimants. Of course, as housing benefit and Universal Credit are both in and out of work benefits this may impact on an individual’s opportunity to relocate and possibly secure employment.

**Action by the Welsh Government to Help People Cope with Changes**

37. The Welsh Government is doing a great deal of work to help people cope with the likely impacts of welfare reform. These include the following:

(a) The First Minister set up a Ministerial Task and Finish Group for Welfare Reform, under the chairmanship of the Minister for Education and Skills. The Group’s main aims are to assess and monitor the implications of the welfare reforms and consider the cumulative impacts across all Welsh Government policies. The Group also facilitates a joined-up response to the UK Government’s welfare reforms.

(b) There is a Task and Finish Group of Welsh housing professionals who have successfully influenced the amount of discretionary housing payments coming to Wales and facilitated meetings to allow for greater consistency in the way discretionary housing payments are delivered.

(c) The Welsh Government has contributed £120,000 to a national research programme which is specifically considering the social and demographic impacts of the changes so that we can better understand the impacts and be able to tailor support to help the Welsh public.

(d) £1,500,000 has been made available under the Homelessness Grant Programme during 2011-13 to help tenants and landlords to cope with the reforms, by promoting awareness of the changes.

(e) We are also supporting local authorities to obtain additional funding and enabling the development of a website “House Share Wales”, which helps people to find rooms and landlords to find tenants.

(f) The role and experience of the Third Sector in engaging with vulnerable people has been and will continue to be crucial. £122,000 has been invested in an awareness campaign that is being delivered by Shelter Cymru and the Citizens Advice Bureau, with the Welsh Local Government Association and Community Housing Cymru as partners.

(g) The report—The Bedroom Tax Project [see 34 (e) above] makes a number of recommendations; one of which is the re-designation of properties by landlords in the social rented sector. We are working closely with the Department for Work and Pensions to ensure that the housing benefit departments across Wales treat all tenants equitably.

(h) The UK Government has set up a number of pilot areas across the UK to test the extension of direct payments in the social rented sector under Universal Credit. The Welsh pilot is in Torfaen and incorporates Bron Afon and Charter Housing. I am pleased to say that we have membership on the steering group considering this matter.

(i) The Department for Work and Pensions have set up a Support and Exceptions Working Group (SEWG) with an aim to look at the design and delivery of support needed to help claimants to adapt to Universal Credit. This has been a UK wide group, but we have now agreed with the DWP that there should be a separate group for Wales. The Third Sector, housing professionals and other stakeholders will be involved in the group and we will be concentrating on supporting the Welsh public through the implementation of Universal Credit.

(j) Supporting a series of road shows to help vulnerable people through face to face casework, and I look forward to making a quick decision on this.

(k) The changes I hope to introduce in my Housing Bill will shift the focus of homelessness legislation onto prevention, and I am confident that this will help to improve the prevention of homelessness in Wales. Unfortunately, some of the changes to Housing Benefit and Universal Credit could considerably increase the number of people who find themselves homeless or under threat of homelessness.

(l) We are working across the policy portfolios to address the changes to welfare benefits and to protect vulnerable people. The current cross-government review of advice services in Wales will help to support this.

**Conclusions**

38. The Welsh Government is extremely concerned about the impacts that the reforms will have on the people of Wales.

39. The evidence, as requested, is focused primarily on the housing benefit changes. However, it is important that these changes are reviewed in the context of the wider welfare reforms which could, for example, have implications on household incomes and subsequently on housing in Wales.

40. The Department for Work and Pensions should reconsider some aspects of the Universal Credit reforms; particularly, direct payments, local face-to-face delivery/advice services, digital by default and delay.
implementation until the IT systems can support the integration of Department for Work and Pensions, HM Revenue and Customs and local authority computer systems.

41. The Welsh Government will continue to support local authorities and third sector organisations to help people in Wales to understand how their benefits are changing and to help them to cope with the changes. This is vital in order to prevent further increases in homelessness, which causes considerable damage to both adults and children, the effects of which can last a lifetime.

December 2012

Supplementary written evidence from the Welsh Government (CHB 108)

Information on the block grant Wales has received in the last three years. The Committee would appreciate information on the Welsh Block grant in cash and in real terms, and its allocation between resource and capital expenditure. (Q88 request from the Chair.)

Response

— In real terms Welsh Government budget will have reduced between 2010–11 (the year of the last UK election) and 2014–15 (end of the current Spending Review period) by £1.4 billion (rounded).

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Information on how incidents of domestic violence and substance abuse increase when a household is under financial difficulty (Q106 request from Simon Hart)

Response

— The link between violence and financial problems has long been recognised by healthcare professionals, police and voluntary organisations.
— Financial difficulties can contribute to abuse beginning and can make existing violence even worse.
— Some organisations have shown an increase in the number of domestic abuse cases they are dealing with over the past few years, whilst in the economic downturn.
— Whilst this rise coincides with the economic downturn it has raised concerns about the financial pressures families face having an impact on domestic abuse.
— An increase in domestic abuse cases is multi-factorial and will not usually be attributed to any one thing but financial difficulties can exacerbate the situation.
— Relate places financial difficulty in its top ten causes for relationship breakdown.
— The National Centre for Domestic Violence in the UK says it had a 19% increase in the number of domestic abuse cases it was dealing with over the past three years (2009-12).
— The All Wales Domestic Abuse & Sexual Violence Helpline recorded a 9% increase in total calls received; 5% increase in callers experiencing domestic abuse; 120% increase in callers experiencing sexual violence in 2012–13 compared to the previous year.

The two reports from the national research programme (Q113):

Response

1. Analysing the impact of the UK Government’s welfare reforms—stage 1 analysis—published February 2012

Key points:
— Wales has a higher dependence on welfare benefits than Great Britain as a whole.
— Stage 1 of the analysis has largely drawn on evidence published by the Institute for Fiscal Studies, which has assessed the combined impact of the tax and benefit changes announced by the Coalition Government.
— Analysis from the Institute for Fiscal Studies following the Spending Review 2010 estimates that the impact of the tax and benefit changes to be implemented by 2014–15 will mean that on average households in Wales can expect to lose 4.1% of their income (or £1,110 per year).
The Institute for Fiscal Studies note that the tax and benefit changes to be implemented over the next several years will be regressive in nature at the UK level (ie they will take more proportionately from lower-income groups than from higher-income groups except the very richest income group), and are likely to be even more regressive in Wales.

2. Analysing the impact of the UK Government’s welfare reforms—stage 2 analysis—published February 2013

Key points:

- estimates the direct effects of the main welfare reforms on household incomes in Wales and wider economic and social impacts of welfare reform and potential implications for devolved public services in Wales;
- identifies the numbers of individuals or households affected by all of the changes in the welfare benefit system; and
- potential impacts on housing services relate to housing affordability, rent arrears, evictions and homelessness due to benefit cuts, direct and monthly payments, and sanctions, which may create budgeting problems.

Both these reports are online at:
http://wales.gov.uk/topics/educationandskills/publications/reports/analysingreforms/;jsessionid=26F36E0D0A60F5C0E222203D04550B60?lang=en

The Institute for Fiscal Studies analysis of the impact of welfare reform on the labour supply in Wales http://www.ifs.org.uk/publications/6586:

- Estimate that the UK coalition government’s welfare reforms reduce total benefit and tax credit entitlements in Wales by around £520 million (or £590 million if Universal Credit is excluded). This corresponds to about £6.40 per family per week on average (or £7.26 if Universal Credit is excluded), roughly 1.5% of their net income.

Conclusion of the analysis:

The UK coalition government’s welfare reforms strengthen financial work incentives a little, on average, and correspondingly the effect of the reforms on employment, hours of work and earnings in Wales looks likely to be positive but small. These small overall changes conceal significant variation across the population, notably important differences between the effects on first and second earners in couples. However, there remains significant uncertainty, not least around the impact that changes in ‘non-financial’ work incentives (such as the simplification associated with Universal Credit and the extension of work-search requirements for receiving benefits to more people) may have on labour supply.

Furthermore, at least in the short run, it is unclear whether those wishing to enter work or increase their hours will be able to, given that fairly high levels of unemployment are expected to persist for the coming years. A conclusion that emphasises uncertainty is rarely welcome. But it is a reminder that, while careful theoretical and empirical analysis can yield important insights, the effects of large and complex reforms, involving numerous changes to both financial and non-financial work incentives, and taking place in a particularly uncertain economic climate, are inherently difficult to predict.

Figures for the number of homeless in Wales and in need of housing, and how many people are living in accommodation where the number of bedrooms is completely unsuitable (Q 119 a request from Glyn Davies).

RESPONSE

- The latest revised National Statistics produced by the Welsh Government were released on 19 March 2013. The statistics include data for Wales for the period October to December 2012.

HOUSEHOLD ACCEPTANCES

- The number of households accepted as homeless fell from the peak in 2004–05 through to the end of 2009 but has since been increasing, rising by 4% during 2011–12. However during 2012–13 the number of acceptances has been lower in each of the first three quarters compared with 2011–12.

HOUSEHOLDS IN TEMPORARY ACCOMMODATION

- In general, the use of temporary accommodation fell between 2005–06 and 2009–10 but has since been increasing as a consequence of the increase in acceptances. However the number of households in temporary accommodation at the end of December 2012 fell to the lowest level for an October to December quarter since October to December 2009.

- Whilst the use of temporary bed and breakfast accommodation has generally been increasing in recent years, at the end of December 2012 bed and breakfast usage decreased by 15%, compared with December 2011, with less than five families with children in bed and breakfast accommodation:

Latest figures:

- Annual: 2011–12: 6,515 acceptances
- Quarterly: October to December 2012: 1,425 acceptances

May 2013

Further supplementary written evidence from the Welsh Government (CHB 10 C)

UNDERSTANDING OF THE “VULNERABLE” CRITERIA

- The definitions of “vulnerable” in the dictionary are susceptible, weak, helpless, at risk, in a weak position.
- I consider vulnerable/vulnerability to be all of the above.
- I am concerned that people who are considered “vulnerable” are being forced to accept benefit in arrears, paid to a named person in the household and the application for benefit has to be made electronically.
- In House of Commons Work and Pensions Select Committee’s third Report of session 2012–13 (February 2013) paragraph 45 (direct payment of housing costs) the Committee recommended:
  - The Department for Work and Pensions should publish a clear definition of “vulnerable” groups within Universal Credit, for who it will not be appropriate to include housing costs in their benefit payment. There must be a robust process for identifying claimants who are struggling with housing costs, so they can be assisted before they fall into arrears.
- The UK Government response was:
  - ...... We are not, however, seeking to define “vulnerability” for the purposes of administering Universal Credit. Any attempt to do so would risk some people with complex needs falling outside of the prescribed definitions and then not receiving help that they may genuinely need.....
  - Currently, a non-exhaustive list is used to identify vulnerable groups. Maintaining this approach would enable others that find themselves in exceptional circumstances to also be identified as “vulnerable”.
  - This would help with the administration of universal credit which will be delivered centrally by benefit officers who are unlikely to have any detailed knowledge of an individual’s circumstances other than what is provided on the claim form.

June 2013

Written evidence from Tai Pawb (CHB 11)

This inquiry is of significance to Tai Pawb as a charity promoting equality and social justice in housing in Wales. Although the specific impact of all of the housing benefit changes on individuals in Wales will not be fully known until late 2013 or early 2014 when most of the changes will have taken effect, it is important to consider whether the impact may be more detrimental for specific groups protected by the Equality Act 2010. Although the welfare reform has now become law, where mitigating action is undertaken by the Welsh Government, Welsh housing associations, local authorities and other bodies within the housing sector, two factors need to be considered:

- Organisations need to gather profile data on their tenants and how the changes will or are affecting different groups of tenants, especially those that are vulnerable or/and protected by the law.
- Organisations need to develop (and in many cases are or have introduced) plans on how they will mitigate against the impacts of housing benefit changes. These plans and actions however, need to be tailored and sometimes targeted to suit the needs of specific groups of tenants. To this end, any changes to policy or practice need to be equality impact assessed (local authorities have specific duties to do so) to avoid unintended consequences. Where organisations are not bound by specific equality duties, due regard should be given to the general equality duty (for example in the case of housing associations). The purpose of assessing the impact of any mitigating action is to ascertain:
  - How to tailor or target such action at specific groups.
  - Whether mitigating action in itself might have a detrimental impact on certain groups if applied in a blanket fashion.
The following comments provide our views on the impact of housing benefit changes in Wales on equality in housing.

1.0 Introduction

1.1 Tai Pawb (housing for all) is a registered charity and a company limited by guarantee. The organisation’s mission is, “To promote equality and social justice in housing in Wales”. It operates a membership system which is open to local authorities, registered social landlords, third (voluntary) sector organisations, other housing interests and individuals. Tai Pawb works closely with the Welsh Government and other key partners on national housing strategies and key working groups, to ensure that equality is an inherent consideration in national strategic development and implementation. The organisation also provides practical advice and assistance to its members on a range of equality and diversity issues in housing and related services. Tai Pawb’s vision is to be the primary driver in the promotion of equality and diversity in housing, leading to the reduction of prejudice and disadvantage, as well as changing lives for the better; a valued partner who supports housing providers and services to recognise, respect and respond appropriately to the diversity of housing needs and characteristics of people living in Wales, including those who are vulnerable and marginalised. Tai Pawb is a member of Cuts Watch Cymru.

1.2 Tai Pawb welcomes the opportunity to submit evidence to the committee for their inquiry into The impact of changes to housing benefit in Wales.

2.0 Potential Impact of Housing Benefit Changes

2.1 Four bedroom rate cap

Capping Housing Benefit at a four bedroom rate will mean that those with larger families will be disproportionately affected—families from a BME background are statistically more likely to be larger. Organisations should assess how many such families are present within their tenant population and target/adjust their mitigating action accordingly.

2.2 Shared accommodation rate and reduction in benefit for non-dependants

The Shared Accommodation Rate (SAR) currently applies to single people under 25 years old on Housing Benefit in the private rented sector. These claimants are restricted to the rate for a single room in a shared house, rather than the rate for a self-contained one bedroom property. We know that the SAR causes considerable problems for young people, with many unable to secure or sustain affordable accommodation and left facing rental income shortfalls, arrears and homelessness.

The age entitlement for this is increasing to 35 years and under. This will have a disproportionate impact on younger people, especially with youth unemployment at its record high and disproportionately high for some groups, eg BME young men and disabled people. Such changes may lead to a rise in homelessness amongst younger people. This may be further exacerbated by housing benefit being further reduced for each non-dependant living in the household.

Organisations should assess how many and in what way their tenants will be affected by these changes and plan any support accordingly.

2.3 Under-occupation—downsizing and bedroom tax

It is estimated that the so called “bedroom tax” change will affect ca. 40,000 people in Wales. It is clear that some organisations will be amending their lettings policies as a result and we think that it is crucial to assess the impact of such changes on various groups.

For example we have been made aware that some organisations refuse to carry out adaptations where disabled people are under occupying their properties. Of course there should be a degree of reasonable thinking and flexibility with such arrangements where for example an option of moving to a smaller adapted property is available to tenants with access needs. However there is a danger that such policies will be applied in a blanket fashion, thus potentially removing disabled people’s choice by forcing them to move to accommodation which might be far from their support networks but which is financially a better option for social landlord and where it means freeing up space for families on waiting lists. We are concerned that the effects of such policies might pose a threat to disabled tenants’ health and safety and/or constitute discrimination if not applied in a reasonable way. Therefore, again an impact assessment and consultation with tenants with access needs is crucial.

2.4 Raising awareness amongst tenants

Many housing organisations in Wales are currently raising awareness of changes to housing benefit. Some local authorities and housing associations raise awareness through letters, phone, leaflets, providing helpline numbers and other methods. There is also a national campaign run by Community Housing Cymru: Your Benefits Are Changing. We note that awareness-raising amongst tenants needs to take into consideration accessibility and language needs of different groups of tenants, such as migrants, tenants from ethnic minority
groups, older people and people with learning and other disabilities, other tenants with accessibility requirements. The same pertains to provision of housing advice. Language assistance and accessibility of advice has always been an issue in Wales and Tai Pawb welcomes the review of advice provision in Wales currently being undertaken by the Welsh Government.

This change will also have impact on older people of working age who might have larger properties left after their children moved out. It is important to target any mitigating action appropriately with regards to such groups.

2.5 Data issues

There is no data for Wales on housing benefits claimants by any of the protected characteristics at the moment. It is crucial that in the future DWP monitors benefit claimants by such characteristics so that solutions can be identified earlier on. At the moment, local authorities and housing associations have to rely on their own customer profiling data which unfortunately is rarely available for the whole tenant population.

2.6 Possible reduction in crucial services

It is commonly accepted that housing organisations will lose income as a result of rent arrears arising from tenants’ loss of certain benefits. It is important that this does not lead to cuts to services or adjustments to services which are sometimes crucial for specific groups, for example for people with disabilities or minority ethnic groups with language needs.

3.0 Summary

The impacts described above are only examples of how changes to housing benefit will affect different groups. Housing benefit is only one part of the changes being introduced through welfare reform and the above impacts may be further exacerbated by the increase in poverty expected as a result of the cumulative impact of various changes.

Additionally economic and equality data available for Wales (for example the Equality and Human Rights Commission’s reports “How Fair is Wales” or “The Anatomy of Economic Inequality in Wales”) shows that certain groups are already economically disadvantaged for various reasons, with lower educational achievement, higher homelessness rates, lower incomes and unemployment.

We fear that the reduction in income and difficulties outlined above may affect certain groups more not only because of the nature of the changes but also purely due to their circumstances being already worse in comparison to the majority population.

These concerns should be taken seriously by the Welsh Government and the housing sector when planning action and policies aimed at mitigating the effects of changes to housing benefit.

December 2012

Written evidence from Community Housing Cymru (CHB 12)

1. About Us

The Community Housing Cymru Group (CHC Group) is the representative body for housing associations and community mutuals in Wales, which are all not-for-profit organisations. Our members provide over 136,000 homes and related housing services across Wales. In 2010-11, our members directly employed 6,500 people and spent over £800 million in the Welsh economy. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Our objectives are to:

— Be the leading voice of the social housing sector.
— Promote the social housing sector in Wales.
— Promote the relief of financial hardship through the sector’s provision of low cost social housing.
— Provide services, education, training, information, advice and support to members.
— Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

Our vision is to be:

— A dynamic, action-based advocate for the not-for-profit housing sector.
— A “member centred” support provider, adding value to our members’ activities by delivering the services and advice that they need in order to provide social housing, regeneration and care services.
— A knowledge-based social enterprise.
In 2010, CHC formed a group structure with Care & Repair Cymru and the Centre for Regeneration Excellence Wales (CREW) in order to jointly champion not-for-profit housing, care and regeneration.

2. Background

— We welcome the opportunity to comment on the impact of changes to housing benefit in Wales. Housing associations in Wales provide homes to some of the most vulnerable people in our communities. As many as 80% of tenants in some of our member organisations claim full or partial housing benefit and many have never had any involvement in financial transactions with their landlords.

— Social housing tenants typically possess low levels of financial and digital inclusion and for many tenants there is reliance upon their landlord for support with financial capability issues.

— The Community Housing Cymru Group believes that the changes to housing benefit will leave tenants and social housing providers at huge financial risk and will ultimately lead to an increase in homelessness.

3. Response

1. 40,000 households in Wales will be deemed to be under-occupying (Source: DWP) and 4,000 will be at imminent risk of losing their homes (Source: The Bedroom Tax, Simon Inkson) when new size criteria rules apply in April 2013.

2. The new size criteria present significant issues for our members who tell us that they do not have stock to match this demand. In June 2012 CHC carried out an impact study to find out how housing benefit reforms would impact on our membership. The survey found that on average 21% of tenants would be affected by the bedroom tax.

3. Data supplied by Monmouthshire Housing Association from a recent (2012) profiling exercise suggests that of those households to be affected by the “bedroom tax”, 15.1% stated that they currently cannot afford bills some of the time and 9.4% suggest they cannot afford their bills at all. This will be exacerbated by a reduction in benefit.

4. The expectation that a household will downsize is an unrealistic one and does not take into account issues such as families who are separated and have access issues and families who have children with disabilities and for whom it is not practical to room-share. The CHC Group is concerned that this type of interference with family life will lead to family breakdown, the consequences of which will be far-reaching.

5. We fear that the financial burden that many families will bear while they remain in their homes due to a lack of availability of appropriate properties will result in higher levels of poverty and deprivation. Additionally, many families will be unable to downsize and move out of an area due to employment and educational commitments. This could potentially force them into further poverty, having to choose between paying their rent and feeding their families.

6. Cymdeithas Tai Eryri, a housing association with 1,500 properties in North Wales, calculated that 98 affected tenants within Gwynedd will lose £1,175.29 per week in total, which means a reduction of £61,115 in housing benefit annually in that Local Authority alone. This represents the amount they must recover directly from tenants to meet the shortfall in rent. The picture in Ynys Môn is similarly bleak with an annual reduction of £36,642.

7. Using DWP under-occupancy figures and average rents, we estimate that the Welsh social housing sector will see an annual reduction of £28.9 million in housing benefit. The maximum amount of Discretionary Housing Payment that will be made available is £7 million.

8. The expectation that social housing tenants will manage their rent payments is unrealistic particularly since many will have little or no prior experience of doing so. Cymdeithas Tai Eryri estimate that if just 10% of their tenants who currently claim housing benefit move onto direct payments and fail to pay the housing element of their entitlement to their landlord, they expect to experience a 144% increase in current tenant debt. This example demonstrates that there is a very real risk of pushing tenants and social landlords into an entirely avoidable hole of rent arrears and debt which could easily erode our sector’s ability to continue to providing housing.

9. Welsh housing associations are concerned that they will not be able to meet the level of support need which is being evidenced by the demonstration projects. Indeed a recent Policiis report, Optimising welfare reform outcomes for social tenants, suggests that 29% of tenants will need a high level of longer-term support to be able to manage their household income under planned changes in housing benefit.

10. One of the biggest changes for social housing tenants is the move from weekly or bi-weekly payments to monthly payments, which are to include housing benefit payments. The responsibility for paying the rent to the landlord lies with the tenant who is currently accustomed to budgeting small amounts over a one or two week period. Many tenants prefer to use cash rather than direct debit. Some members, for example Tai Calon, are reviewing their rent collection policies as presently only 701 out of 6000 of their tenants pay their rent via
direct debit. Tai Calon have made a commitment to support tenants through the introduction of Universal Credit; however, many smaller housing associations will not have the resources to offer such support.

11. The move to monthly payments to one person in the household could lead to hardship for those in the household who do not receive payments. Those who are accustomed to fortnightly payments will no doubt find it difficult to budget with such a large amount of money. There are also concerns that the single payment could go to a member of the household who is least likely to be able to cope with it, for example, an individual suffering from an addiction.

12. We know that 50% of those who are not online live in social housing, therefore the move to a “digital by default” is a seismic one for social housing tenants who for the most part do not have access to the internet, particularly those who live in rural areas who may not have broadband access. We are extremely concerned that claimants will find themselves unable to make their claims or make changes to their claims when their circumstances change and consequently under or over claim benefits and suffer the financial consequences.

13. We also wish to comment on the “hidden” consequences of housing benefit reforms. Many households will be hit by reductions in multiple benefits, particularly those who claim disability benefits. For example, where non-dependants live in the home but someone is in receipt of Disability Living Allowance (DLA), no non dependent deduction will be made with regards to housing benefit. If the entitlement to DLA is lost in the migration to Personal Independence Payment, for example, if the claimant currently receives the low level care component and does not meet the high criteria under PIP, the consequence would be a reduction in the housing component as well as losing their disability payment.

14. We are also very concerned about the impact housing benefit reforms will have on those whose homes have been adapted to suit the needs of the household. For example, Monmouthshire Housing Association found that 820 tenants will be impacted by under-occupancy and of these, 135 (16.5%) indicated that they are disabled. This may limit their ability to share a bedroom, and downsizing to a smaller property may be untenable due to the loss of adaptations or space for disabled equipment. The expense of moving these households to smaller properties and adapting them to suit the needs of the household will result in unnecessary cost and inconvenience, discomfort and stress.

15. Under Universal Credit, 1,700 households in Wales will be affected by the benefit cap which includes the housing component. The average reduction could be more than £50 per week. This alone is a huge reduction in benefits for some households who are not likely to find properties for £50 less per week. This is particularly concerning since a higher concentration of these properties will be in the Cardiff area and therefore attract a higher rental value.

16. Evidence from our members suggests that many tenants who will be affected by the bedroom tax are already expressing an interest in downsizing. However, little consideration has been given to the availability of smaller properties within the sector and we believe that housing benefit policy will severely restrict access to homes in Wales as social housing providers will be forced to decide whether to prioritise existing tenants who need to down size over those who are on the housing register.

17. In response to our impact study, 75% of respondents told us that they would not be able to meet downsizing need with their current stock. This means that on average, 21% of social housing tenants will see a reduction in their housing benefit of 14% for one extra bedroom and 25% for two.

18. Evidence from one of our members is that their managing agents are becoming nervous about the impending changes and the indications are that they will focus on professional people who cannot afford mortgages. The consequence of this is a greater reliance on social housing and therefore more pressure on the sector.

19. Furthermore, there is evidence that leading buy to let mortgage lenders such as BM Solutions and Accord no longer offer products to landlords with social tenants. This will severely restrict the market and reduce the number of properties available in the private sector.

Conclusion

1. The evidence from our members and from the demonstration projects are that the changes being made to housing benefit are too severe and extensive for housing associations and tenants to manage.

2. We fear that homelessness will increase to completely unmanageable levels. Reforms could also create a “false economy” whereby families who become homeless through the impact of welfare reform, will be re-housed via the homelessness route, at a cost to the state which is much higher than simply maintaining current benefit levels.

3. Furthermore we are concerned about the impact this will have on our members’ ability to provide homes and employment to some of the most vulnerable people in our communities. Housing associations in Wales directly employ 7,500 people— for every direct job, a further two were supported in the local economy, meaning 20,200 jobs were supported by the work of the sector in 2011–12. We fear that should the level of arrears increase to an untenable level, members will be unable to sustain this.

http://www.guardian.co.uk/housing-network/2011/dec/05/martha-lane-fox-social-housing-tenants-online
Recommendations

1. We recommend that more time is given to allow the UK Government to test plans more thoroughly before implementation and also that lessons learnt from the demonstration projects are shared.

2. Further to recommendation 1, we recommend that more time and resources are allowed before the implementation of new housing benefit regulations to increase financial and digital capability amongst claimants.

3. In order to promote financial inclusion, it is vital that claimants are given a choice about how they pay their rent. We therefore recommend that claimants are able to make an informed decision whether to have their housing paid direct to their landlord or to receive payment themselves via Universal Credit.

4. Universal Credit must be split between joint claimants to try to minimise the risk of homelessness and ensure equality within households.

5. As with Northern Ireland, weekly or bi-weekly payments should be an option in Wales for those who are accustomed to managing more frequent payments.

6. The UK Government must run a national awareness raising campaign similar to CHC’s Your Benefits are Changing campaign which is being promoted on the radio, on buses, via landlord communications and through road shows, and via the www.yourbenefitsarechanging.co.uk website. There is strong evidence from calls to the helpline that there is very little awareness about impending changes among benefit claimants.

December 2012

Written evidence from Wales and West Housing (CHB 13)

The evidence provided here will focus on the impact of the housing benefit reforms on Wales & West Housing (WWH) and our stakeholders specifically.

1.0 In Summary

1.1 The “Bedroom Tax” will have a far reaching effect on WWH, displacing residents, causing them financial hardship, leading them into arrears and the potential for court action, repossession and consequent homelessness. It will also create a demand for one bed properties that will stop applicants on these waiting lists from accessing housing.

1.2 The introduction of direct payments to claimants under the Universal Credit system will cause widespread further arrears and could be unmanageably costly for housing associations such as WWH.

1.3 Both the housing benefit cap and the council tax benefit reforms diminish social housing tenants’ ability to pay their rent and add to the potential for increased arrears and cost to the public sector.

1.4 The arrears caused by the benefit reforms will require WWH to make a substantial investment in staffing to assist our residents to manage their budgets.

1.5 The way Local Housing Allowance is currently calculated is eroding our finances.

1.6 The overall effect of all of the above is substantially inhibiting our ability to develop to meet Wales’ housing needs.

2.0 The Bedroom Tax

2.1 The current estimate of the number of WWH residents on full or partial Housing Benefit (HB) that are believed to be under-occupying their home is approximately 1,200 (8.2% of all residents). Discussions with residents that will be affected have shown that few are aware of the changes and many state they wish to stay in their home and try and make up the shortfall. A round a third say they wish to move. We therefore expect over 300 of our residents to have to undergo a move in the near future in order to sustain a tenancy with us and over 600 facing potential financial hardship if they struggle to afford the shortfall. As of a study conducted on 17/7/12 a further 129 housing applicants will have to leave their current waiting lists as they will no longer be eligible. We also note that the changes will result in disabled people not having an additional room for equipment. As residents downsize this will exert pressure on smaller, 1 bed properties. We will require effective cooperation from all our housing association and local authority partners to find suitable housing for residents who have been forced to move. However, in many areas, the stock will not be available to meet this need and, since those forced to move due to the new regulations will get priority, existing applicants on these waiting lists will not be housed.

3.0 The Housing Benefit Cap

3.1 Early indications are that around 20 WWH households will be affected, some by as much as £150–200 per week.
4.0 Council Tax Benefit

4.1 The changes will reduce the income of households and therefore their ability to pay rent and other bills. Current indications suggest that everyone will pay a minimum of 15% of their council tax which will impact further on our residents’ financial stability and their ability to fund their accommodation.

5.0 Information for Residents

5.1 We have endeavoured to inform our residents about the changes and their potential impact since the reforms were announced but we understand that individuals are likely to feel saturated with information about circumstances which they cannot influence. As the potential impact upon them is unclear, we require help from the government in order to convey a coherent message about how these reforms will impact the individual and what they can do to safeguard their tenancies.

6.0 Arrears Caused by the Bedroom Tax and the Consequences

6.1 We expect rent arrears to increase substantially as a result of the welfare benefit changes. Households that have been in receipt of HB for many years and have no personal experience of paying their rent will, from April 2013, have to manage personal finances which may well be lower than before. Residents who have had their HB reduced due to under-occupation and are likely to be in financial hardship in trying to make up the difference. Please see the available through the Welsh Tenants Federation for further information on the anticipated overall impact the upon the sector.

6.2 It is clear from the visits to under-occupying residents carried out to date that some people, despite their best endeavours, will be unable to afford the additional rent required to make up the shortfall and will get into debt with the Association. As with several Banks and Building Societies, WWH could be considered irresponsible in allowing people to make a choice that it knows (or could reasonably predict) will lead to hardship, debt or the loss of their home and we have therefore amended our lettings policy to mirror the revised housing benefit allocation.

6.3 Every resident should be able to “afford” to pay their rent. For residents who can’t due to the Bedroom Tax it is unlikely that a sustainable agreement can be made and therefore we have already amended our allocations policy and begun to adopt the following approach:

6.4 A basic budget plan is undertaken and an agreement established that makes the maximum contribution towards the rent deficit the resident can afford.

6.5 Assistance will be given to the residents to apply for discretionary housing benefit to cover some or all of the shortfall.

6.6 The resident will be required to register for a transfer within the social rented sector, with private letting agents, for an exchange within Homeswapper and any other mutual exchange register. We will assist residents needing to move and in exceptional circumstances provide financial assistance cover a resident’s reasonable expenses. We will also allow residents with arrears to transfer or mutually exchange if they are “under-occupying”.

6.6.1 It is important to note at this point that private landlords, already often reluctant to house those on benefits, are extremely unlikely to lower rent to cover the deficit. Nevertheless, the latest LSL Property Services rents report shows rents rising by 3.4% in the previous year. The freezing of Housing Benefit during the assessment of Incapacity Benefit recipients in order to introduce the Employment and Support Allowance is only liable to discourage private landlords from housing benefit recipients further.

6.7 The resident will be expected to accept the first available offer for alternative suitable housing irrespective of tenure.

6.8 Other than in extenuating circumstances and even where every attempt has been made to move, if the level of arrears reaches approximately £500 (representing about a year’s worth of HB shortfall and the likely minimum before the matter could be entered into Court), WWH will take legal steps to seek possession. We have amended our policy to allow the use of mandatory grounds (Ground 8 and section 21) for possession where residents are in arrears and where suitable alternative accommodation is available and has been refused.

6.9 We have forecast the effect of the Bedroom Tax on our residents considering all of the steps we can feasibly take to combat arrears. We expect our efforts to mitigate the effects of the Bedroom Tax to cost us £2.2 million over seven years. It is important to note that we have had to assume that local authorities follow suit and only allocate in line with HB. However, if this does not occur, or in areas that it doesn’t, housing associations such as WWH will end up considerably worse off.

7.0 Homelessness

7.1 Regardless of whether we choose to seek possession at this point or after further arrears accrue, once a tenant has been evicted they will become homeless and the local authority will bear the financial burden. This will undoubtedly put further strain on overcrowded homeless facilities and lead to a return to the countrywide...
use of Bed & Breakfasts in order to temporarily house homeless individuals. See the for further information. If the Welsh Government does not take decisive early action, subsidising the shortfall created by the Bedroom Tax, there is a likelihood this will cost more in the long-run in greatly increased homeless provision.

8.0 Direct Payments

8.1 After direct payments are introduced in October, this will be further exacerbated. The compound effect of these changes and other reductions to benefits will undoubtedly cost WWH in arrears and in attempts to combat arrears.

8.2 55% of our residents receive housing benefit. We have assumed in our five year business plan that around 5% of benefit recipients would struggle to manage their finances and would go into arrears to the value of 13 weeks rent. At this time, WWH would apply for the HB payments to be paid directly to us and we would expect that little of the lost rent would be recovered.

8.3 We would like to draw the attention of Select Committee to the May 2012 Housing Report from The Chartered Institute of Housing, The National Housing Federation and Shelter voicing concerns over the increase in arrears and cost of rent collection that will be caused by the introduction of this particular reform. We would also like to refer to the report: “Optimising welfare reform outcomes for social tenants” published by the National Housing Federation and independent consultancy firm Policis, drawing on evidence from interviews with nearly 2000 social housing tenants and reporting that:

8.3.1 49% were not confident that they would be able to keep up rental payments.
8.3.2 79% said they will find it more difficult to manage money monthly.
8.3.3 86% believe it is better for benefit to be paid to the landlord.
8.3.4 Almost all (94%) fear that they will be unable to prioritise their rent within their budgets.
8.3.5 In addition, they also noted that a total of 14% of tenants did not have a bank account with a direct debit function, while 5% had no bank accounts at all.

8.4 Based on the assumption that direct payment to residents will not resume until arrears have been cleared and despite our concerted effort and the commitment of resources to assist our residents with their finances, we foresee a loss of £3.5 million in the first three years and a further £300,000–£400,000 year on year thereafter due to resident turnover.

8.5 The assumption that payments will not revert to the tenant until arrears have cleared is vital here. A worst case scenario projection, where direct payments to residents resume after an amount of benefit advice, would, at best guess, cost us £3 million per year and essentially bankrupt us by 2020. It is worth noting here that we are currently considered quite financially robust. Welsh housing associations in a weaker financial position could see themselves bankrupt much earlier. A scenario that falls somewhere between the two above could leave us unable to develop any properties to meet housing need.

8.6 The housing sector needs clarity on this issue immediately as it has such potentially grave implications. It is clear that many social housing tenants will need assistance to manage their finances prudently. We need some assurance from the government that residents who are unable to manage their finances will not be allowed to enter a cycle of going into arrears, a brief suspension of direct payment then resumption and the build-up of further arrears. We also need the government to work with banks to produce financial products such as jam-jar budgeting accounts that do not penalise the most deprived members of society for their difficulties in budgeting. Without a suitable product for social housing tenants, many could face unnecessary financial hardship, arrears, potential eviction and homelessness.

9.0 Staffing Implications

9.1 We have already approved the appointment of three temporary staff to assist under-occupying residents with budgeting and income maximisation and foresee the need for another over the next four to five years, costing WWH approximately £1.5 million.

10.0 Local Housing Allowance

10.1 The changes in the way Local Housing Allowance (LHA) is calculated are reducing housing associations’ such as WWH’s ability to develop to meet housing need. LHA now rises by the lower of the 30th centile of market rent increases and the rate of CPI inflation and is only adjusted once a year. Previously it was valued once a month and was based on the 50th centile of market rents. The new mechanism is designed to lower the LHA, and therefore reduce the benefit bill. However the knock on effect is to reduce the amount of development that can be undertaken by the RSL sector, as financial appraisals have now to be based on lower future revenue streams. The LHA rates for 2013 have just been published, and incredibly, despite all surveys showing rent increases, the LHA rates have stayed the same or reduced in most areas. This further limits the ability of the RSL sector to build new homes. Moreover there is no clear and transparent publication by WG of the source of this data. We would urge WG to publish data and to provide a fair system to respond to challenges where the data does not seem to be robust.
11.0 To Conclude

11.1 These reforms will cause major financial strain on the third sector and public sector.

11.2 We will see significant increases in arrears. At best, we expect our response to cost us approximately eight million over the next seven years, with a failure to switch payments to the landlord where tenants run up arrears costing millions more and eventually leading to the failure of the RSL sector.

11.3 Decisive financial decisions need to be taken by WG to minimise the adverse effect on the most vulnerable to homelessness and the consequent cost to the public sector. Quite simply, if the shortfall created by the bedroom tax is not covered up-front, it will cost the public sector more in homelessness provision in the long-run.

11.4 If residents are allowed to resume with direct payments when in arrears it is likely to bankrupt housing associations.

11.5 Social Housing tenants have received a lot of information on the imminent reforms but need concrete information about how this will impact them and what can be done about it. We require the government to convey a coherent message about how these reforms will impact the individual and what they can do to safeguard their tenancies.

11.6 We need WG to heed the evidence on direct payment and assist by working with the banks and the third sector to develop products that can help individuals manage their finances without it costing them a disproportionate amount of their already stretched income.

11.7 Not only the scale but the reach of the impact is unknown. It is likely that these reforms will impact negatively upon health and education but more work needs to be done to understand this so action can be taken.

11.8 The ability of housing associations such as WWH to develop is being rapidly diminished by the compound effect of the way LHA is calculated and the benefit reforms. If nothing is done to mitigate this effect, new housing development may well slow to a complete halt and housing need will not be met.

January 2013

Written evidence from the Department for Work and Pensions (CHB 15)

1. Introduction

1.1 There are currently over five million people in Great Britain in receipt of housing benefit. Just over a quarter of a million of these live in Wales. The average amount of benefit received is £89.42 a week for Great Britain as a whole and £75.33 a week for Wales.

1.2 The housing benefit bill has risen significantly in recent years. In the year 2000 the annual cost was £11 billion. By 2011–12 this had more than doubled in cash terms to almost £23 billion. Unreformed, the Department estimates that the cost would have risen to over £25 billion by 2014–15. The cost of housing benefit for those living in Wales totalled £1.0 billion in 2011–12.

1.3 As part of its fiscal consolidation programme, the Coalition Government has introduced a number of changes to housing benefit. Some of these are already in place with others due to come on stream from April 2013 and beyond. The key reforms are:

- Basing the Local Housing Allowance rates on the 30th percentile of rents (effective from April 2011).
- Introducing a cap on Local Housing Allowance rates (April 2011).
- Removing the £15 “excess” (April 2011).
- Increasing the level of non-dependant deductions (starting April 2011).
- Extending the age limit for the shared accommodation rate (January 2012).
- Limiting increases in Local Housing Allowance rates to the rise in the Consumer Price Index (April 2013) and then to 1% (April 2014 and 2015).
- Introducing an under-occupation deduction for those living in the social rented sector (April 2013).
- Increasing the Discretionary Housing Payments budget as the reforms above come on line.

1.4 These changes are expected to save in excess of £2 billion a year in steady state in Great Britain.

11 August 2012 administrative data from the Single Housing Benefit Extract.


2. Changes to Local Housing Allowance Rates

2.1 Local Housing Allowances were first introduced in April 2008. They set the maximum amount of rent that can be met for those living in the private rented sector. Rates were set at the median level of the distribution of rents for each size of property within each broad rental market area across the country. The Emergency Budget of June 2010 introduced three changes to the way Local Housing Allowance rates operate.

(i) To set Local Housing Allowance rates at the 30th percentile of the rent distribution within each broad rental market area instead of the median.
(ii) To introduce absolute “caps” on the rates in terms of both the size of property and the amount of rent. It restricted the allowances for larger properties to the four bedroom rate and set caps ranging from £250 a week (one-bed) to £400 a week (four-beds).
(iii) To remove the “excess” provision, which had allowed claimants up to £15 a week additional benefit if their rental liability was less than the relevant Local Housing Allowance rate.

2.2 The Impact Assessment published in July 2010 and based upon March 2010 administrative data estimated the following effects of these changes:

<table>
<thead>
<tr>
<th>PROPORTION OF CLAIMANTS IN THE PRIVATE RENTED SECTOR EXPECTED TO RECEIVE LESS HOUSING BENEFIT AS A RESULT OF EMERGENCY BUDGET CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
</tr>
<tr>
<td>Removal of £15 excess</td>
</tr>
<tr>
<td>Rates at 30th percentile</td>
</tr>
<tr>
<td>Absolute cap on rates</td>
</tr>
</tbody>
</table>

2.3 Average loses in cash terms were estimated as follows:

<table>
<thead>
<tr>
<th>AVERAGE WEEKLY REDUCTION FOR THOSE EXPECTED TO RECEIVE LESS HOUSING BENEFIT AS A RESULT OF THE EMERGENCY BUDGET CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
</tr>
<tr>
<td>Removal of £15 excess</td>
</tr>
<tr>
<td>Rates at 30th percentile</td>
</tr>
<tr>
<td>Absolute cap on rates</td>
</tr>
</tbody>
</table>

2.4 As the tables above show, these changes were generally expected to have a lower impact on claimants living in Wales than in Great Britain as a whole. The main reason is that, on average, private sector rents are lower in Wales than in Great Britain as a whole.

2.5 The exception to this was the reduction in the Local Housing Allowance rates from the median to the 30th percentile of the rent distribution. This change affected a slightly higher proportion of claimants in Wales, although the average loss was slightly less. The net effect on the housing benefit budget in Wales of these measures is in the order of £100 million. At around 5% of the total estimated effect of the changes in Great Britain, it is broadly proportionate to the share of Wales in the benefit caseload.

2.6 Subsequent to the Emergency Budget the Department announced that, as part of the implementation of the April 2011 Local Housing Allowance changes, existing claimants would be given nine months transitional protection from the anniversary date of their claim. In practice this meant that most people were not affected until January 2012 at the earliest. It was not until December 2012 that all claims were subject to the new rules, including the extension of the Shared Accommodation Rate (see below). This gave people more time to prepare for the changes.

3. Uprating Local Housing Allowance Rates

3.1 At Budget 2012 the Chancellor announced that, in April 2013, Local Housing Allowance rates would increase by no more than the rise in the Consumer Price Index (CPI). This has the effect of further constraining the growth in housing benefit expenditure as private sector rents have been rising faster than inflation. The change means that the annual increase in Local Housing Allowance rates will be limited to 2.2% in April 2013. In Wales, the majority of LHA rates will be unaffected by this limit as rents have grown by less than 2.2%. Almost three quarters of Welsh LHA rates will continue to be set at the 30th percentile of market rents in April 2013.

3.2 In the 2012 Autumn Statement, the Chancellor confirmed that, while the CPI uprating would take place in 2013 as planned, for the following two years the increase would be limited to 1%. There are around 70,000 claimants in Wales who may be affected by these changes, depending on factors such as movements in actual rents.

DWP analysis of Single Housing Benefit Extract data shows that there were 69,730 LHA cases in Wales in August 2012.
4. Shared Accommodation Rate

4.1 Young, single adults living in the private rented sector have the amount they can receive in housing benefit restricted to the “shared accommodation rate”. This is in recognition of the fact that young adults in the wider non-benefit population tend to share accommodation in order to reduce costs. The shared accommodation rate does not apply to those with dependent children, care leavers under 22 years of age and those receiving specified disability benefits. Claimants in these groups are entitled to the one bedroom rate.

4.2 From January 2012 the age limit for application of the shared accommodation rate was extended from age 24 to age 34. Claimants formerly resident in a hostel for the homeless receiving support to resettle back into the community and ex-offenders deemed to pose a risk of serious harm to the public were exempted from this extension.

4.3 The Impact Assessment of August 2011\(^{15}\) (based upon March 2010 data\(^{16}\)) estimated that this change would affect 62,500 claimants in Great Britain as a whole and just over 3,000 claimants living in Wales. So the change affected almost the same proportion (between 6 and 7%) of claimants on the LHA scheme in Wales as elsewhere. The average loss of those affected was estimated at £24 a week in Wales compared with £41 a week for Great Britain as a whole.

5. Social Sector Under-Occupancy

5.1 Currently claimants living in the social rented sector can have their full rent met through housing benefit regardless of the size of the property they live in. This is in contrast to tenants living in the private rented sector whose maximum eligible rent is based on Local Housing Allowance rates, which reflect the needs of their household. From April 2013, housing benefit for working age tenants in the social rented sector will be reduced if they live in a property that is too large for their requirements according to the Local Housing Allowance size criteria rules. The reduction will be 14% of the eligible rent if they under-occupy by one bedroom and 25% if they under-occupy by two bedrooms or more.

5.2 In assessing the number of bedrooms required, allowance will be made for other people who normally live in the household such as non-dependant children or lodgers.

5.3 A relatively high proportion of working age housing benefit recipients in Wales live in the social rented sector, 46% compared to 31% in Great Britain as a whole. The Department estimates\(^{17}\) that 40,000 claimants in Wales will be affected by this provision.\(^{18}\)

5.4 Again, the fact that rents tend to be lower in Wales means that the impact on those individuals affected will be slightly smaller. The average benefit loss in Wales is expected to be £12 a week compared with the Great Britain average of £14 a week.

6. Non-Dependant Deductions

6.1 Any non-dependant adults living in the claimant’s accommodation are usually expected to make a contribution towards the claimant’s rent and housing benefit is reduced accordingly. There is no reduction if the claimant or their partner is disabled or where the non-dependant is disabled, a carer, a student, or under 25 and receiving an income-related benefit. If an exemption does not apply then the rate of the reduction is determined by reference to the non-dependant’s income.

6.2 In 2001 the then Government decided to freeze the levels of the non-dependant deductions. However, the Emergency Budget announced that the deductions would be returned to the levels they would have reached had they been fully uprated to reflect growth in rents. The increases are to be phased in over a four year period and are expected to save £330 million a year in Great Britain by 2014-15.

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\(^{16}\) Single Housing Benefit Extract March 2010.

\(^{17}\) Policy Simulation Model based on data from the 2009-10 Family Resources Survey

6.3 The table below shows how the rates have changed.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Age 18+, in work with gross weekly income of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£401 and over</td>
<td>£60.60</td>
<td>£73.85</td>
<td>£87.75</td>
</tr>
<tr>
<td>£322 to £401</td>
<td>£55.20</td>
<td>£67.25</td>
<td>£79.95</td>
</tr>
<tr>
<td>£242 to £322</td>
<td>£48.45</td>
<td>£59.05</td>
<td>£70.20</td>
</tr>
<tr>
<td>£186 to £242</td>
<td>£29.60</td>
<td>£36.10</td>
<td>£42.90</td>
</tr>
<tr>
<td>£126 to £186</td>
<td>£21.55</td>
<td>£26.25</td>
<td>£31.25</td>
</tr>
<tr>
<td>Less than £126</td>
<td>£9.40</td>
<td>£11.45</td>
<td>£13.60</td>
</tr>
<tr>
<td>Others^{20}</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Discretionary Housing Payments

7.1 The Government recognises that reductions in the amount of their housing support may cause challenges for some individuals. In order to mitigate these challenges and ease the transition, the Government has put in place a substantial package of financial and practical support. In Great Britain as a whole, over the Spending Review period, this includes an additional £190 million contribution to Discretionary Housing Allowances and £49 million in transitional funding to enable local authorities to provide proactive assistance to those affected by the changes. In Wales, the Government’s contribution for Discretionary Housing Payments to local authorities has risen from just over £2.5 million in 2012-13 to almost £6.2 million in 2013-14. Welsh local authorities received around £600,000 in transitional funding in 2012-13.

8. Summary

8.1 As noted above, this Government believes that the burden on the Exchequer of providing housing benefit has been rising at an unsustainable rate. Some of this expenditure will almost certainly have fed through into higher rent levels, with no direct benefit to the tenants. The Government also believes that, in the interests of fairness, benefit recipients should have the same incentives to live within their means as families not receiving benefits.

8.2 The reforms will limit the upward trend in expenditure on housing benefits such that it is forecast to decline, in 2012-13 prices, from £23.4 billion in 2011-12 to £22.7 billion in 2017-18.

8.3 Reducing the value of Government subsidy will exert downward pressure on private sector rents. The reforms will ensure that more claimants have a direct interest in the amount of rent they pay and where they choose to live. And lower rental liabilities will increase work incentives. Other changes, such as the social sector under-occupancy measure, will lead to the more efficient use of the housing stock. This will, in the longer term, allow local authorities and other social housing providers to help more households from a given stock of housing. It will also help to reduce upward pressure on rents through alleviating supply shortages.

8.4 But the Government recognises that, despite these advantages, the changes may create some challenges for individuals. To mitigate this, it has significantly increased the budget for discretionary housing payments which will enable local authorities to help those facing particular problems.

8.5 We expect the changes in the private rented sector to have a smaller impact in Wales than in other areas of Great Britain owing to its relatively low rent levels. Conversely, the social sector under-occupancy reduction will affect a higher proportion of claimants in Wales. However, the average losses will be smaller due to the lower level of rents.

8.6 The Department has commissioned a comprehensive independent review to evaluate the impact of Local Housing Allowance (LHA) reforms. An early findings report, which contained the findings of a survey with landlords and LHA claimants in 19 case study areas (including Cardiff, Denbighshire and Rhondda Cynon Taf), was published in June 2012. An interim report will be published in the next few months. It will contain analysis of the econometric and spatial impact of the reforms across Great Britain, in addition to results of in-depth interviews with claimants, landlords and housing advisors in the 19 case study areas. A final report, containing further econometric and spatial analysis along with results of surveys and interviews, is due to be published at the end of the year.

^{19} Income bands are adjusted annually in line with rises in wages to retain their relative value.

^{20} Others includes those aged 25 or over and on IS/JSA (IB); aged 18 or over and not in remunerative work; or in receipt of main phase ESA (IR).

8.7 The Department is also commissioning an independent evaluation of the under-occupation deduction in the social rented sector, due to be introduced in April this year. This will include analysis of effects on claimants living in Wales.

January 2013

Supplementary evidence from the Department for Work and Pensions (CHB 15B)

Q206—What are social landlords saying about the removal of the spare room subsidy in Wales

The size and availability of social housing stock varies across the country, as does demand for different sized property.

This measure is not about forcing people to move. We expect many households will prefer to remain where they are and will find a way of making up the shortfall, in the same way that those living in the private sector in properties that are too large do. At this moment in time it is too early to predict what choices individuals will make, but some living in larger properties may choose to downsize, not just within the social rented sector but also into the private rented sector.

The evaluation and monitoring of this measure has commenced and will run over the next two years. It will include the impact of the removal of the spare room subsidy on housing supply. In addition small scale primary research will be undertaken with a range of social landlords in local authorities across England, Scotland and Wales. Different types of authorities including a range of urban, rural and county district local authorities will be included and these will be selected to cover a range of different housing market demands, to ensure we can explore the effects of the introduction of size criteria effectively; and gain sound insight into the experiences of tenants.

Findings will be carefully considered once we have the initial report which is expected by April 2014. The final report is due in 2015.

Q210—Financial savings to be achieved in Wales by overall movement of tenants in the housing stock

We are not able to assess the responses of tenants to the removal of the spare room subsidy, including estimating the number of people that may choose to move house in response to the measure (a study by the Housing Futures Network indicated that around 25% of tenants affected by the measure might choose to move house). A analysis presented in the published Impact Assessment for the policy indicated that the impact on the expected benefit savings of claimants moving to smaller accommodation is likely to be broadly neutral (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/174998/social-sector-housing-under-occupation-wr2011-ia.pdf, paragraphs 42–47).

The measure will be monitored and evaluated over the next two years and this will include small scale primary research with a range of local authorities, social landlords and voluntary organisations, including those in Wales. As part of this supply issues will be examined. The initial report will be available in 2014. The final report will be published in late 2015.

Q234—Rented housing stock in Wales by number of bedrooms

<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>One</th>
<th>Two</th>
<th>Three</th>
<th>Four</th>
<th>Five or more</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands of households</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Renters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wales</td>
<td>48</td>
<td>68</td>
<td>75</td>
<td>6</td>
<td>*</td>
<td>197</td>
</tr>
<tr>
<td>England</td>
<td>1,181</td>
<td>1,292</td>
<td>1,201</td>
<td>121</td>
<td>13</td>
<td>3,808</td>
</tr>
<tr>
<td>Private Renters</td>
<td>19</td>
<td>45</td>
<td>55</td>
<td>15</td>
<td>7</td>
<td>141</td>
</tr>
<tr>
<td>Wales</td>
<td>716</td>
<td>1,530</td>
<td>1,193</td>
<td>286</td>
<td>120</td>
<td>3,843</td>
</tr>
<tr>
<td>England</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Percentages</td>
<td>25</td>
<td>34</td>
<td>38</td>
<td>3</td>
<td>*</td>
<td>100</td>
</tr>
<tr>
<td>Renters</td>
<td>14</td>
<td>32</td>
<td>39</td>
<td>10</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>Wales</td>
<td>19</td>
<td>40</td>
<td>31</td>
<td>7</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>England</td>
<td></td>
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</tbody>
</table>

Notes:
* Indicates sample size too small for reliable estimates.
Figures may not sum due to rounding.
Source:
English Housing Survey 2011–12 and Living in Wales Household Survey 2008 (which represents the most up-to-date published figures).
Q237—The number of families in overcrowded accommodation in Wales

As I stated to the Committee, the latest figures for Wales from 2008 suggest there were around 10,000 households overcrowded in the social rented sector. This represents 5.2% of all social rented sector households.

Q238—The number of tenants on waiting lists in Wales

As I stated to the Committee, the latest figures for Wales from 2008 suggest there were around 90,000 households on social housing waiting lists.

Q247—The savings in Wales of the under-occupancy policy

We estimate that the removal of the spare room subsidy will save around £30 million in Wales (rounded to the nearest £10 million).

Q275—The proportion in Wales of people in work claiming housing benefit

The economic status of all Housing Benefit (HB) recipients is not available. Information is only available for those HB recipients whose claim is not passported: that is for those who do not receive either Income Support, Jobseekers Allowance (Income-Based), Employment and Support Allowance (Income-Based), or Pension Credit (Guarantee Credit).

In Wales 47.7% of all HB non-passported cases are in work.

It should also be noted that a small proportion of passported cases will be in part-time employment.

May 2013

Further supplementary evidence from the Department for Work and Pensions (CHB 15C)

Question from Committee: Six direct payment demonstration pilots are to be extended for a further six months. Does this mean that there will be a delay with the roll-out of Universal Credit (due to start from October 2013) or at least a delay with the housing benefit part of it?

Officials response: No, these projects will continue to feed into the careful delivery of Universal Credit, the Pathfinder for which went live in April. Our plan remains to deliver the full transition to Universal Credit in a safe and managed way by 2017, drawing on valuable lessons learned from the Pathfinder, Demonstration Projects and Local Authority led pilots.

Question from Committee: Universal Credit will be paid to a single member of the household. We have heard concerns that this could change the family dynamic, particularly where the individual is suffering from an addiction. The Members did not get the opportunity to ask the Minister why the UC is being paid to a single member, and not between joint claimants. I would welcome a response on this issue.

DWP officials’ response:

— Evidence suggests only 2% of married couples and 7% of cohabiting couples keep their finances completely separate.

— The Government believe that people within a household are best placed to make money management choices most appropriate for them and that it is not for Government to dictate how a family spend their money.

— A single payment of benefits enables a household to clearly see the effect of their decisions about work on total household income and enables claimants to take responsibility for managing their finances.

— There will be provision for households to split payments of Universal Credit where there is proven abuse of money that is affecting the rest of the family, or other more fundamental problems (eg, domestic violence, or addiction).

— Child Benefit will continue as a separate benefit outside of Universal Credit and will continue to be paid to the person responsible for the child.

June 2013

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23 Members Research Service which supports the National Assembly for Wales.
24 Single Housing Benefit Extract, February 2013 https://stat-xplore.dwp.gov.uk/
Housing Benefit in Wales

1. Housing Benefit is dysfunctional, unfair and overly expensive, with costs rising rapidly:
   - Other than the state pension, it is the most expensive benefit at £22 billion. The cost has doubled since 1999–2000.25
   - £1.13 billion of housing benefit expenditure was overpayment due to fraud and error in 2011–12.26
   - The system has become excessively generous in some instances—as high as £2,000 a week for a five bedroom property in central London.27

2. In many cases, housing benefit claimants are living in properties that are out of reach for most taxpayers and/or bigger than they require.
   - In Wales, 46% of housing rented from Local Authorities is under-occupied.28

3. The Government’s reforms represent a modest and reasonable 10% cut from expected spending in 2014–15—and total expenditure is forecast to rise slightly in real terms over the forecast period:29
   - The main changes being made are:
     1. Housing Benefit will become part of the new Universal Credit.
     2. LHA rates (Local Housing Allowance) will be calculated at the 30th percentile of market rents rather than the median for the area. It will also be capped at £250, £290, £340, and £400 for one, two, three and four bedroom properties respectively.30
     3. Removal of the £15 excess by which claimants could keep housing benefit that exceeded the value of their rent. This is an unjustifiable, unnecessary cash hand-out.31
     4. Under 35’s will only be able to claim benefits for a bedsit or shared accommodation.32
     5. Previously, there was no system to review changes in circumstance that led to under-occupation in social housing. Under-occupying tenants will be able to continue to live in accommodation by making up the shortfall from their own pocket, or by letting out a spare room. Otherwise they will have to move to smaller accommodation.33
   - The measures introduced in 2011–12 mean the average LHA claimant in Wales will see their benefit fall by £9 per week. Only 1% of claimants will see their benefit cut by more than £15 per week, and none by more than £20.34
   - The fund for Discretionary Housing Payments (DHP) has been increased and is due to increase further. This will reduce any risk of homelessness that may arise because of the reform.35
   - The switch to CPI indexation will more accurately reflect the situations which claimants face. The housing costs included in the RPI are owner-occupier costs that include components irrelevant to those renting such as mortgage interest, stamp duty and estate agents’ fees.36
   - The planned 1% cap on increases in 2014–15 and 2015–16 more accurately reflects the rate of wage growth. A reas where rent increases are particularly high will be exempted.

4. Restrictive planning regulations, the decline in the construction sector and high property taxes are reducing the supply of housing, driving up rent and consequently housing benefit.
   - In 2006, a report by the Welsh Government estimated that 14,700 new homes needed to be built each year until 2026.36 But between 2005–06 and 2011–12, an average of 7,232 houses have been built each year.37
5. Housing Benefit inflates rental prices and puts money in the pockets of landlords.
   — Private landlords are well aware of the generous subsidies on offer and put their prices up accordingly.
   — In December 2010, 76,990 Housing Benefit claimants in Wales were renting privately. This equates to 42.2% of the total private rented stock of 182,269.\(^{38}\) Such a large proportion means that LHA rates are certain to exert influence over market prices.\(^{39}\)

January 2013

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**Supplementary written evidence submission from The TaxPayers’ Alliance (CHB 16B)**

Thank you for affording me the opportunity to give evidence this afternoon.

Mr Edwards asked about rent caps and I said in response that I would happily furnish him and the wider committee with research demonstrating the folly of pursuing such a policy, with reference to the experience in American cities where it has been in operation.

I therefore point you to “How Rent Control Drives Out Affordable Housing” by William Tucker, published by the Cato Institute and available to view online here:

http://www.cato.org/pubs/pas/pa-274.html

Whilst the research was published in the late 1990s, the arguments remain equally valid today. I hope that you can share that with the committee and that it will help inform your deliberations.

Please let me know if there is anything else that you would like from us at the TPA.

June 2013

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**Written evidence from the National Landlords Association (CHB 18)**

**Introduction**

1. The National Landlords Association (NLA) exists to protect and promote the interests of private residential landlords.

2. With more than 20,000 individual landlords from around the United Kingdom and over 100 local authority associates, we provide a comprehensive range of benefits and services to our members and strive to raise standards in the private rented sector.

3. The NLA seeks a fair legislative and regulatory environment for the private rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities.

4. The National Landlords Association (NLA) would like to thank the Welsh Affairs Committee for providing the opportunity to comment on this consultation.

5. The NLA works with Council’s across the United Kingdom including Wales in relation to the implementation of the Welfare reforms, within the councils. The welfare reform is a significant transformation of what currently exists. Communication between councils, those in receipt of welfare payments along with landlords is important, to avoid difficulties. It also provides the NLA with a unique position of seeing the impact across many different areas from the North of Wales to the South and the varying impact that these changes are having.

6. The use of the private rented sector in relation to the provision of homes is increasing in Wales and has been outlined in the draft welsh housing bill an increasingly important part of overall housing provision.\(^{40}\)

7. The ability of private rented sector in providing flexible accommodation across a wide range of social groups is an attraction of the sector.

8. The principal barriers to accessing accommodation in the private sector, whether the household wishes to purchase their own property or rent from a private landlord are financial. In the rented sector, this generally means the ability to raise a security deposit and to satisfy a landlord or agent that household income is sufficient to meet the rent.

9. Rent levels in the PRS are dictated by market forces, which can vary in local and niche markets. Calls for intervention to control housing costs are understandable, given the exceptional demand experienced by some parts of the country, particularly Cardiff and South Wales. However, every housing market experiences demand differently, depending on its needs, and that the cost issues present in a small number of expensive areas are not replicated elsewhere.

\(^{38}\) http://wales.gov.uk/docs/statistics/2012/120222sd252012en.pdf#page=3


\(^{40}\) 1.10 Draft Housing Bill Welsh Government.
10. The political arguments around welfare reform, while valid politically, can have an impact on investment and letting approach. The perception that there are problems in providing housing for those in receipt of welfare payments could create the problem that are being predicted.

11. The reduction of setting the LHA to the 30th from the 50th percentile has the greatest potential to have the greatest implications. The impact of this will determine wither landlords stay within the letting market for those in receipt of welfare payments.

12. Most private residential landlords set rents based on their fixed and variable costs and an expectation of a return. There may be some scope for negotiation with potential tenants. This informal formula results in a net yield roughly equivalent to an alternative financial investment, although it carries considerable extra risk and workload. Very few landlords make sufficient net profit from their portfolio to absorb the losses which they would face if rents were restricted or to cope with the risk of being unable to regain vacant possession. Thus the changes to welfare will affect the financial model that many landlords have built. Therefore the decision by individual landlords on letting post the introduction of the welfare reforms will be based on the above.

13. As landlords desire to have a tenant in their property rather than a vacant property, the changes in what tenants can pay will have an impact on the level of rent they can charge. The way that demand for property due to the changes in welfare will impact landlords will vary. If tenants through the cap on welfare payments can only pay X and the landlord has the choice between X or nothing, then they will pick X, or leave the market. The changes to empty properties via council tax will place an emphasis on landlords to have occupants in a property.

14. Any form of price control as a potential short-term solution to the symptoms of the welfare reforms on housing, could have far reaching implications. They cannot address the root cause, the disparity between the demand for and supply of housing in general. Private landlords have the right to withdraw their property and say how lives in their property. A ny policy has to take into account the potentially damaging consequences for the supply of rented housing long term. The culture amongst landlords and investors is such that any intervention will be seen as the first step forward re-regulation. This would derail efforts to encourage new investment in rental housing, particularly from the institutions, and could prompt a landlord exodus.

15. The NLA believes that welfare reforms which can impact on those living in the private rented sector needs to be carefully considered with other policy being implemented by the Welsh Assembly and Local Councils. The proposed Welsh Housing Bill with the additional regulatory burdens will also have an impact, on the private rented sector. Thus to look at one item such as the changes to welfare without acknowledging other factors can cause perverse outcomes.

16. For the Private Rented Sector to function adequately, the private rented sector requires a clear, transparent and equitable balance between the needs of the property owner and those occupying the property. The changes to welfare are clear in what the maximum a person can receive in payments, it is important that councils and landlords are in dialogue with tenants and explain the changes.

17. The NLA supports the direct payment to landlords when applicable. The continuation of direct payment will be important in helping the most vulnerable. Equally the change in payment method to tenants will require close working between tenants, councils and landlords. The NLA would like to see an increase in the use of credit unions in the delivery of the welfare reforms. The NLA would welcome talks between councils and landlords to discuss how they can play a role in the delivery of the welfare reforms.

18. The key to the impact of the impact of the welfare reforms is the ability of a landlord to be confident in a return on their investment. The clarity of what tenants can receive in welfare payments under the reforms needs to be made clear.

19. The impact of the Welfare reforms in Wales will require clear advice from the council/Assembly to landlords and tenants. The political point scoring that can be seen by some councils and councillors, can create a self-fulfilling prophecy of problems that they attempting to highlight. The scare stories that develop can force tenants into believing there are problems and landlords to be nervous about investment in the area (community and social), when in many situations there are none.

20. The NLA does have concerns around the way that information has been made available, and the lack of information that has become available from Department for Work and Pensions.

21. The NLA would be happy to give evidence to the committee.

22. Again, the NLA would like to thank the Welsh Affairs Committee for the opportunity to respond to this consultation and hope you find our comments useful.

February 2013
Written evidence from the Welsh Local Government Association (CHB 20)

Introduction

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.

2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.

3. The WLGA welcomes the opportunity to provide written evidence to the Welsh Affairs Committee as part of the inquiry into the impact of changes to housing benefit in Wales. We understand the committee has decided to focus on underoccupancy in the social rented sector and direct payment of housing benefit under Universal credit. Our evidence will therefore address these issues.

4. Local Government in Wales is deeply concerned about the welfare reform changes and the impact they will have on the well-being of the communities. The changes to housing benefit are expected to have a significant detrimental effect on the lives of individuals, families, and communities and to lead to a significant increase in household debt and homelessness. Reductions in housing benefit due to "under occupancy" of social housing and the ending of direct payments of rents to social landlords under the Universal credit arrangements are of particular concern to Local Authorities.

5. The dwindling supply of social housing means that homes have increasingly been let to households in greatest housing need who are least able to access market housing. As a result, a high proportion of social housing tenants have a range of underlying needs in addition to their housing need which increase their vulnerability to the cuts to welfare. For example, many find it difficult to secure employment, have low literacy rates, poor physical and mental health, high levels of reliance on benefits and lower digital and financial inclusion. The social size criteria and the ending of direct payments to landlords will inevitably place these households at increased risk of unsustainable debt and losing their home.

Social Size Criteria

6. The DWP impact assessment for the social size criteria demonstrated that communities in Wales will be harder hit compared with the rest of Britain. It is estimated that 46% of housing benefit recipients in Wales, compared with an average across Britain of 31%. It is estimated that 40,000 households will be affected in Wales with for example 4,100 tenants in Cardiff and 3,000 in Caerphilly affected. The total loss of income across Wales has been estimated to be almost £27 million. This will clearly have significant implications for individual households, the communities they live in, and the local economy.

7. Social landlords and Local Authorities are directing considerable resources to the work of advising their tenants on ways in which they can reduce the impact of the social size criteria. This includes exploring every opportunity to expand housing options for tenants affected by the social size criteria including facilitating exchanges, helping with removal costs, advising on taking in lodgers, ring fencing lettings of smaller units and setting up arrangements with credit unions.

8. One option for tenants that should ideally be available is a move to smaller accommodation. However, the reality is that there is a limited supply of smaller homes in the social housing sector. For historical reasons the profile of social housing stock has largely been built to meet the needs of families with children and there is now a significant mismatch between household size of social housing tenants and the homes available.

9. Under occupying social housing tenants living in rural Wales will be particularly badly affected due to the difficulty of moving to suitably sized rented homes within a reasonable distance. A high proportion of tenants will have no option but to make up the shortfall in housing benefit rent from other income and will inevitably face risks of escalating debts and possible loss of their home.

10. Many social housing tenants receiving housing benefit who are unable to downsize because of the lack of suitable social homes will need to try and find accommodation in privately rented accommodation. This is likely to involve considerable cost and disruption in order to move to a smaller home with a higher rent. For example, 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% increase that will be funded from housing benefit. The pattern is very similar throughout Wales.

11. Households affected by the social size criteria will face considerable difficulty in finding affordable accommodation in the private rented sector. The lack of housing supply is resulting in growing competition for private rented sector accommodation with the result that many landlords can choose not to let to households on benefit. In addition, a proportion of lenders of Buy to Let mortgages specifically require landlords to exclude tenants on benefit. Tenants on housing benefit will also be restricted already to the cheapest 30% of rented properties, and if an individual is 35 or under they will only receive housing benefit to cover the cost of shared accommodation which is extremely difficult to find in many parts of Wales.
12. Some social housing tenants affected by the social size criteria will face considerable hardship if they are required to move and downsize. We welcome the DWP decision to exempt foster carers and families with adult dependents who are in the armed services service personal, also we welcome the flexibility towards disabled children who need a separate bedroom. However it is clear that there are also other households who will be adversely affected by having to move homes including those who receive care or help with childcare from a family member living nearby. This could result in someone no longer being able to afford to work or a family member needing care from the Local Authority or potentially having to go into residential care.

13. Some families may have local employment which they will no longer be able to afford to travel to or combine with childcare as a result of a move. Parents who have separated may find that they can no longer be able to share care or have access to their children overnight because they do not have a separate bedroom. There are also concerns that the social size criteria will increase tensions and stress within families, particularly where there are teenage children. This will take inevitably take it's toll in terms of health, violence and family breakdown and will contribute to increased pressures on Local Authority services.

**Direct Payments**

14. The proposal to automatically pay housing benefit to social housing tenants rather than to their landlord is causing considerable concern to tenants and social landlords. A high proportion of tenants on low incomes are expressing a wish to have their rent paid to their landlord as a way of managing a very small income. They have realistic concerns that they will face difficulty in maintaining rental payments when they receive a single monthly payment under universal credit.

15. Many low income households in receipt of benefits currently manage their finances because different benefits are paid at different times over the month. However universal credit will introduce a single payment paid monthly in arrears and will make managing on a very low income and avoiding debt much more difficult. Most tenants prioritise payment of rent but will find it very difficult under the new arrangements. A significant increase in rent arrears and ultimately in evictions is expected. The scale of this is very difficult to predict at this point in time.

16. There is a relatively low level of digital inclusion amongst social housing tenants with 50% of households not online living in social housing. These households are likely to face difficulty in making claims and dealing with the new universal credit arrangements. There are the added issues relating to poor access to broadband in some parts of Wales, particularly rural areas. This will complicate the issues faced with the ending of direct payments.

17. The DWP baseline survey of tenants undertaken prior to the start of the direct payment demonstration projects presents a very challenging picture. We accept the data comes from just five Authorities areas but it is likely that the themes emerging in the baseline study and the demonstration projects will be very similar.

18. The baseline study indicated that an average of 64% of social housing tenants are on full housing benefit and over 80% receive some element of housing benefit. A relatively high proportion of tenants were experiencing financial difficulties with an average of 22% not up to date with rent. Overall levels of debt were also high with 40% of households having at least some type of debt and 25% stating they very often run out of money at the end of the month or week. Over 90% of social housing tenants surveyed for the baseline study had no savings to fall back on and will therefore have no financial buffer when universal credit is paid monthly in arrears. It is likely this will immediately place a number of tenants at risk of eviction.

19. There is limited information available about the experience of the DWP direct payment pilots but it appears that in the Welsh Authority area covered by the pilot arrears increased from 2% to 8% of the landlord's rent roll. This is despite careful selection of tenants for the pilot who were unlikely to face problems managing money. These households on average ended up with 100 more of rent arrears than those on direct payments with arrears from the group increasing from £120,000 to £120,000. As a result the social landlord had to double the staff dealing with rent collection. This level of arrears will present a very significant problem for social landlords who will have no option but to pursue arrears and ultimately evict. A number of social landlords are reviewing arrears policies and intend to make greater use of ground 8 (i.e. 8 weeks rents arrears) as a mandatory ground for eviction.

**Conclusion**

20. The consequences of ending automatic direct payment of housing benefit are extremely concerning. We would like to see all tenants having an option to have their housing benefit paid directly to their landlord irrespective of their vulnerability. We also would like to see a major review of the social size criteria in order that it reflects the availability of rented housing for vulnerable people on benefit to move to. A failure to address these issues will in our view lead to a significant increase in the level of indebtedness and homelessness in Wales.

March 2013
Written evidence from Bron Afon Community Housing (CBH 21)

Section 1: The Under Occupation Rules

1.0 Executive summary

1.1 The Government identifies the objectives of the under occupation rules as:

- Reducing public expenditure.
- Increasing mobility within the social rented stock.
- Making better use of the social rented stock.
- Improving work incentives.

(Source: DWP Equality impact assessment, June 2012).

1.2 The under occupation rules will:

- save money from the DWP budget in the short term but this will be outweighed by the costs to other public sector budgets and registered social landlord budgets;
- increase mobility in the social rented stock but with consequential damage to communities, children and families;
- worsen the pressure on social rented stock in Wales rather than reduce it; and
- incentivise tenants to move to more expensive private sector accommodation, the exact reverse of the incentives applying to those in work.

2.0 Introduction to submitter—Duncan Forbes

2.1 Duncan Forbes has been the Chief Executive at Bron Afon Community Housing in Cwmbran, South Wales, since 2007.

2.2 A qualified solicitor, his previous roles include those of County Borough Solicitor and Monitoring Officer at Torfaen County Borough Council and Head of Legal Services at Herefordshire Council. Prior to that, as a specialist housing solicitor, he acted for more than half the housing associations in Wales and worked with landlords and tenants to set up the Tenant Participation Advisory Service and Welsh Tenants Federation. He was the legal adviser to the Good Practice Unit of the Chartered Institute of Housing and co author of a number of their publications and good practice guides.

2.3 Bron Afon is a community owned social enterprise and registered social landlord which manages and maintains 8,000 rented homes and 915 leasehold homes in the County Borough of Torfaen and employs 550 people.

3.0 Under occupation—headline figures for Bron Afon Community Housing

Impact on our tenants

3.1 Approximately 1,300 Bron Afon households will be affected by the under occupation rules that came into effect on 1 April 2013. Approximately 300 of these will face a 25% cut in housing benefit and the remaining 1,000 a 14% cut. Our average rent is £80.71 per week so a cut in housing benefit of 14% with this rent amounts to £11.30 and a cut of 25% amounts to £20.18 per week.

3.2 260 of the households affected have had their homes adapted to cater for a disability of a member of the household at a cost of over £960,000. These costs will be wasted if the family has to move because of under occupation rules.

3.3 Bron Afon has contacted by visit or telephone almost all the tenants affected who have also had a letter from the local authority. The stories collected from households affected is attached as Appendix 1.

3.4 Many of our tenants have invested £1,000s in their homes at a time when they were in work before become dependent on benefits due to disability, illness or redundancy. Some of these are highlighted in the stories in Appendix 1. They will never be able to invest the same in any new home if they have to move due to under occupation rules.

3.5 The stories reveal that some households are already going without meals to make ends meet before the impact of the under occupation rules which will take approximately £11 or £20 per week from their household budgets.

3.6 The stories reveal that some tenants use a bedroom because they cannot sleep together due to disability or illness or because they need to store large equipment due to a medical condition or disability. The rules make no provision for exempting these needs.

3.7 I personally visited more than twenty tenants to talk to them about the impact of the rule change. None had a car; none had a telephone other than pay as you go for essential calls, most were on slot meters for gas and electricity; none had broadband or computers in the home; none had any kind of TV package. Many of
them were clearly expert household budget managers, had done their sums on the impact of the changes and were very worried and distressed about how they would survive.

3.8 We visited our tenants and asked how they plan to respond to the under occupation rules
   - 25% say they want to move and we are assisting them to do so as far as we can within the scarce resources available.
   - 60% play to stay and pay but 11% say they will fall into arrears.
   - 12% say they will try or continue to try and get a job or increase their hours to pay the difference.
   - 20% say they will cut back on other spending.

3.9 A proportion of those saying they will stay will be able to pay. We don’t yet know how many will be able to make up the payments but the description of people’s financial circumstances they offered suggest that very many hundreds will not be able to make up the rent and risk losing their home.

3.10 The Equality Assessment on the changes by the DWP in June 2012 stated that “As part of our ongoing implementation plans, we aim to develop a clearer idea of likely claimant responses to the measure.” I am not aware of any further work having been done by the DWP on this and the Public Accounts Committee, in their report published on the 26 March 2013 concluded that the Government were adopting a “wait and see” approach to the benefit changes.

3.11 The Discretionary Housing Payment Budget will provide some relief for households with adaptations during 2013–14. The problem is that 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 and we and they have to start planning for the possibility that DHP will not be available beyond 2013-14. DHP therefore provides very limited relief.

Impact on public spending

3.12 The housing benefit bill for tenants of Bron Afon will reduce by just under £1 million in 2013–14 so this is a short term saving for the DWP.

3.13 However, we will be encouraging tenants who cannot afford to pay their rent to move home. Where we can, we will offer smaller accommodation. We will spend up to £1,000 per tenant to help them move which, during 2013–14 is more than the saving to the DWP for these households. We are unlikely to be able to assist that many households to downsize. As an example, there are 86 households in Blaenavon needing to move to one bedroom accommodation but only 5 such properties become available each year. It will take 17 years to rehouse all those households in our one bedroomed properties. In theory they could move elsewhere in the Borough or to other housing associations, but the same pressures apply equally to other housing stock, other locations and other landlords.

3.14 We will therefore advise and assist households to move to the private rented sector. Any private rented sector home in Torfaen is more expensive than any size of property that we rent, even a one bedroomed flat. So any move to the private rented sector will cost more to the public purse. For example a family occupying a three bedroom house of ours at a rent of £85 per week will receive housing benefit of £73.10 per week from the DWP have secured for that household and the cost of housing benefit in temporary accommodation is far higher than the cost in our accommodation.

3.15 We expect that many households will be unable to pay their rent and will be evicted. A study for an unpublished Masters dissertation in Torfaen in 2007 identified that an eviction cost the housing service over £4,000 in terms of the costs of homeless accommodation, loss of rent due to a void property and the cost of making the property ready for letting. This is without the cost to the court system or the social consequences of eviction. So there will be a cost to the local authority and to ourselves which may well outweigh the saving the DWP have secured for that household and the cost of housing benefit in temporary accommodation is far higher than the cost in our accommodation.

3.16 There will be other financial costs to the public purse such as the cost of moving schools (new uniforms, books etc) of families forced to move home.

3.17 Many of our tenants live in close knit communities with informal family arrangements for care of children and older people. There will be an unknown financial cost if these are disrupted as the ability of a parent to work is often dependent upon the grandparents for child care before or after school and it is these grandparents who are affected most by the under occupation rules. If they have to move further afield because of the new rules, the parent may have to give up work and become more reliant on benefits.

Impact on housing need; making best use of housing stock

3.18 The greatest pressure on the social rented housing stock in Torfaen is on smaller properties so the under occupation rules will worsen housing need not improve it.
Impact on incentives

3.19 The Government state they want to give those claiming benefit the same incentives as those in work. The under occupation rules do exactly the opposite. As identified above, the logical economic choice for a tenant on housing benefit is to move from one of our larger properties (rent £85 per week) to a smaller more expensive private rented property (rent exceeding £100 per week) because housing benefit will cover 100% of the cost.

3.20 The Government counters this by saying that other tenants will move from the private rented sector to the social sector saving the equivalent amount in housing benefit. This is unlikely. The largest demand comes from those living with their families in overcrowded conditions or new households not from potential transfers of existing households from private sector accommodation.

3.21 The Government argue that the position should be the same for social rented as for private renting tenants but the comparison is not valid. Social landlords allocate housing in the best possible way given the household circumstances so the households caught by the under occupation rules were allocated the most appropriate properties in the circumstances at the time. They are caught by the under occupation rules by changes of circumstances. This is not true for the private tenants where they have chosen to move to accommodation larger than their needs. To equate with the private rented sector the Government should only introduce the under occupation rules for new tenants.

Impact on communities, children and families

3.22 Many individuals and families will have to move away from their current home and community and change children’s schools as a result of the new rules. This will break close links with families, friends and neighbours and disrupt the education of some of the poorest children in the Borough having untold long term consequences. Some of our tenants affected have lived in their homes and communities all their lives and well in excess of 50 years.

Section 2: Direct Payments Demonstration Project

1.0 Introduction

1.1 Bron Afon Community Housing is a partner with the DWP, Charter Housing and Torfaen County Borough Council in a Demonstration project testing the payment of housing benefit direct to tenants. When Universal Credit is introduced, it is intended that all tenants will receive their benefit for rent in this way. There are five other similar demonstration projects across the UK.

1.2 The projects, running from June 2012 until June 2013, are intended to inform the design of Universal Credit.

1.3 The projects are also looking at the appropriate level of safeguards needed to help protect a landlords’ income if tenants fall behind on their rent as well as the support tenants need to cope with the transition.

1.4 The project will help government understand the best ways of:

— Communicating these changes to tenants.
— Providing assistance with budgeting to ensure tenants successfully pay their rent.
— Developing appropriate safeguards to protect landlords’ financial position if tenants do get into arrears.
— Supporting tenants and landlords experiencing financial difficulties.

1.5 The projects will also help local authorities and housing associations to prepare for the introduction of Universal Credit. Tenants will also benefit as local authorities and housing associations have the opportunity to develop the support services.

2.0 Introduction to submitter—Duncan Forbes

See previous description.

3.0 Direct Payment Demonstration Project—headline figures for Bron Afon Community Housing

3.1 Direct Payment has seen tenants’ indebtedness to us increase at least 4 fold with the average arrear increasing from £50 to £200 at the low point in the payment cycle.

3.2 The average arrears even at this low point continue to rise.

3.3 Nine in every ten tenants in the first wave were assessed as "low" risk in terms of support needs and vulnerability.

3.4 One in eight tenants in the first payment wave has been switched back to landlord payment with a corresponding debt of up to 8 weeks rent to clear.

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31 Source—Department for Work and Pensions Briefing Pack December 2012
4.0 Background

4.1 Tenants were judged ready to receive direct payment of Housing Benefit based on the Department for Work and Pensions (DWP) agreed support assessment matrix that took into account circumstances such as debt problems, learning difficulties and mental health issues, but also existing support networks. This matrix was populated with data from Bron Afon’s survey of tenants and by using knowledge from in-house system. Based on the matrix, 87.6% of those tenants included in the first phase were deemed to be low risk.

5.0 Rent collection

5.1 Rent collection was 97.5% for tenants on direct payment over the 16 week period July to October—this is a snap shot taken at the low point in the payment cycle using the DWP methodology which gives tenants up to week eight to pay.

5.2 The collection rate was 90.2% for the same period if the snap shot is taken at the high point in the payment cycle—expect tenants to clear their arrears in week five (ie the week they receive their Housing Benefit).

6.0 Arrears

6.1 When Bron Afon received the last landlord direct Housing Benefit payment for the 435 tenancies on the 23 June 2012 the arrears stood at £21,457, with the average arrears balance of £49.33.

6.2 Four weeks later arrears had climbed to £125,197 (average balance £287.81) but this was no surprise as the tenants weren’t due to receive their first instalment of their entitlement until the following week. (This was always going to be an issue for monitoring arrears as account balances always carry rent debits that the tenant hasn’t received their Housing Benefit for).

6.3 With on going weekly debits and the variation in tenant’s payment patterns interpreting whether an account is in arrears for recovery action purposes is dependent on some interpretation—something that can’t be achieved when working with hundreds of accounts and grouping their balances together.

6.4 The current maximum third party deduction from benefits to repay rent arrears is £3.55 per week. It is likely therefore to take a tenant on Direct Payments who owes £200, one year to clear their debt, and a tenant who has been switched back owing eight weeks rent (£600) three years, assuming they don’t miss any further payments.

7.0 Switchbacks

7.1 12% of the original 476 tenancies have had their payments switched back to the landlord.

7.2 Eight tenants met the eight week triggers (ie not paying for eight weeks or arrears over eight weeks).

7.3 Forty nine tenants met the underpaid trigger by 15% or more in a 12 week period.

8.0 Resources and support

8.1 With 1 member of staff to every 160 tenants in the project our collection costs have risen significantly.

8.2 The close and effective partnership we have with the Council’s local housing benefit team is proving essential in mitigating losses and helping us to identify support needs.

8.3 Around 30% of the Bron Afon tenants who we expect to have moved on to direct payment by January’s cut-off date are in need of in depth support or debt advice.

8.4 Half of tenants who participated in the CRESR baseline study thought they would need support at the beginning and 36% thought they would need significant long term support.

8.5 63% of tenants in Torfaen who participated in the CRESR baseline survey operated to a weekly spending limit.

8.6 95% of tenants in Torfaen who participated in the CRESR baseline survey did not have any savings—so most have no safety net to fall back on to cope with the transition from weekly to 4-weekly budgeting or from which to clear their rising indebtedness.

8.7 51% of tenants who participated in Bron Afon’s welfare reform survey have struggled with their household budget during the last year.
Supplementary evidence from Bron Afon Community Housing (CHB 21B)

Vulnerable Claimants

The Government published a list of possible categories of claimant who they were suggesting might get payment direct based on categories such as learning difficulties, mental health etc.

That is all that has happened. So Lord Freud is right that there are several suggested categories for exemption from direct payment.

But these are just broad categories so far. There has been no firm decision that these will be the categories or how they will be defined or final decision whether they are the right categories. They exclude literacy for example which is a key issue.

So there is no definition, just a loose list for discussion so far.

We don’t know how the DWP will identify those who should have payments sent to the landlord. Applications are supposed to be going to be made online so I assume the claimant will be expected to identify their own membership of a category which has problems in itself. Few people offer information that they have a mental health problem, learning disability or are in serious debt.

So if that is the methodology, we would expect a lot of people to slip through the net and be wrongly categorised and get the rent payment rather than it coming straight to us. We don’t know what sort of local presence the DWP will have to actually talk to people; they are saying that the universal credit will be run from a single office in Bolton with telephone access only so again most people who are vulnerable are unlikely to make much use of that.

We would like to see the initial guidance having a lot of exemptions so that we test universal credit and get it working totally satisfactorily with people who are not vulnerable at all. Then we can start exploring the best way of supporting vulnerable groups onto direct payments more carefully. The absolute priority is that we don’t set people up to fail. This won’t support the Government’s desire to see people supported into work.

Reduction in Rent Arrears with Switchback

Lord Freud also stated that rent arrears reduced once there was switchback and payments were sent to the landlord, and rent arrears could be collected.

This isn’t our experience. All that switchback achieves is to stop further arrears accruing so easily, it hasn’t enabled us to recover the debt. It is really important that some recovery is also possible otherwise the money will not be recoverable. Community housing cymru made a submission on the criteria for switchback and that arrears should be recoverable but the Government have not announced their view following close of consultation. This is a critical issue for housing association businesses and tenants alike.

June 2013

Further written evidence from Community Housing Cymru (CHB 12B+C)

Information on Sub-Prime Lenders

The non-standard credit market:

- 10 million UK adults in the non-standard credit market.
- 2.5 million using home collected credit (aka doorstep lending).
- Probably more than 200,000 households in Wales.
- About £30 million issued by home collected credit companies every week.
- Mostly to low-income, women, 25-40yo, with children, C2DE, social renters.
- Typically people repay around £80 interest & fees on every £100 borrowed.
- Collected weekly, on the doorstep by agent; a flexible & personal service.
- Unsecured loans; customer likely to have thin credit files or poor history.
The non-standard credit market in UK is estimated to be £65 billion.

Well known “market leaders” include:

- Weekly cash stores
- Home credit
- PayDay loans
- Cheque cashing/pawn broking

Bright House, Perfect Homes
Provident
Wonga
Albermarle Bond

All are growing and are now visible on high streets in most towns and cities throughout the UK. For example, a simple web/directory search reveals that there is a significant presence in Cardiff, often located in the city centre or on major “secondary high streets” such as Cowbridge Road and Albany Road.

The typical Home Credit customer profile overlaps significantly with the typical weekly cash store customer.

Many non-standard credit companies have been “demonised” around their high Annual Percentage Rate (APR) although many can demonstrate high customer satisfaction rates. PayDay lenders are currently being challenged by OFT over their marketing and lending practices, but expert commentators consider it unlikely that APRs will be capped or conditioned by future regulation.

The market is not served by traditional high street lenders because:

- Welfare benefits are not acknowledged/accepted as an income on unsecured loans.
- Loan values are too small (most have £1000 minimum loan values).
- Banks rely on credit history—the typical customer has no/limited credit history.
Typical Doorstep-Lender Customer (eg Provident)

- Approximately 70% female
- Approx 85% are tenants
- Approx 42% are aged under 30
- Approx 43% are single parents
- Approx 65% are not in employment
- A typical 1st loan might be less than £250

Transition to high street lenders is at best difficult—and in many cases impossible without a significant change in lenders underwriting policies.

The market is however well served by a range of commercial “non-standard credit” lenders:

**Key Points**

- The market is large and well served.
- The market is segmented.
- Customers generally like and value their credit provider.
- Cost based competition between suppliers is limited.

**Sources:**

Feasibility of a CDFI in Wales: A report for Community Housing Cymru, Niall Alexander

Moneyline Cymru research and evaluation- customer profiling.

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### New dwellings completed, by tenure

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Source: statswales.wales.gov.uk

### Additional affordable housing provision, by tenure

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Source: statswales.wales.gov.uk

### Total affordable housing provision, by tenure

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N.B. Total stock figures from 91/92-01/02 are estimates from Local Government Data Unit’s Welsh Housing Statistics 2007

Source: statswales.wales.gov.uk (02/03-11/12 figures only)

May 2013