Support for housing costs in the reformed welfare system

Fourth Report of Session 2013–14
The Work and Pensions Committee

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Contacts

All correspondence should be addressed to the Clerk of the Work and Pensions Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 2839; the Committee’s email address is workpencom@parliament.uk.
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Summary

The Government began reforming Housing Benefit in 2011. Further reforms to the support provided for housing costs have been implemented since and changes will continue in the future, as Universal Credit is rolled out. The aims of the reforms are to reduce benefit expenditure, incentivise people to enter work, or increase their hours, and to make the benefit system fairer.

The Government has made efforts to reduce the impact of the reforms on vulnerable groups. However, concerns remain that the reforms may be causing hardship to some vulnerable households who were not the original targets of the reforms and who are unlikely to be able to respond to the reforms by changing their circumstances. This report sets out how these impacts might be mitigated.

Local Housing Allowance

- Reforms to Local Housing Allowance (LHA), paid to Housing Benefit claimants in the private rented sector, have led to a growing discrepancy between the average area rents and the amount of LHA that households can claim. As a result, there is evidence that private sector landlords are becoming increasingly reluctant to rent to LHA recipients and evictions and non-renewal of tenancies are increasing, leading to an increased risk of homelessness among Housing Benefit recipients. Private sector properties which remain affordable to LHA recipients are increasingly of poor quality.

- The Government should monitor the impact of reforms to support for housing costs on homelessness, and look at further ways of supporting claimants and local authorities if the reforms are found to be exacerbating it.

Social Sector Size Criteria

- The Social Sector Size Criteria (SSSC)—also known as the “spare room subsidy” and the “bedroom tax”—is having a particular impact on people with disabilities, especially those living in adapted accommodation, or who need an extra room as a result of their disability, and who are unlikely to be able to move house or enter work. There is evidence that many of these people are suffering financial hardship.

- The Government should take steps to mitigate the impact of the SSSC on disabled people. Disabled people living in homes which have been significantly adapted for them should be exempt from the SSSC. The Government should also exempt from the SSSC all adults on the higher rate mobility or care component of Disability Living Allowance, or equivalent in Personal Independence Payment.

Benefit Cap

- The Benefit Cap is having a negative impact on some vulnerable households who were not the intended targets. These include full-time carers receiving Carers
Allowance who, although living in the same house as the person to whom they provide care, are not part of the same household benefit unit; and homeless households in temporary accommodation.

- The Government should take steps to exempt all those on Carers Allowance resident in the same house as the person cared for, and all households in temporary accommodation, from the Cap.

**Transitional Protection**

- The Government’s additional funding for Discretionary Housing Payments (DHPs) to help local authorities to support claimants affected by the reforms is welcome. However, the discretion allowed to local authorities in granting DHPs is resulting in tenants’ access to these funds depending heavily on where they live and the eligibility criteria their local authority apply. It is a particular concern that some local authorities are taking income from disability benefits into account in the means tests they apply for determining eligibility for DHP awards. The temporary nature of DHPs may also mean that they do not provide sufficient safeguards for those who need longer-term support.

- The Government needs to give local authorities more specific guidance on allocating DHPs, including on granting long-term DHP awards for specified categories of claimants. The Government should also review DHP provision to ensure that those who cannot adjust to the reforms are provided with sufficient long-term support which is structured in a way that ensures they do not suffer hardship. If DHPs are found not to be providing sufficient protection from hardship, the Government must look at alternative means of protecting people who are unable to adjust to the reforms.

**Council Tax Reduction**

- The introduction of new local Council Tax Reduction schemes (which replaced Council Tax Benefit and which was accompanied by a 10% reduction in central funding) is leading to financial hardship for some affected claimants and incurring extra expense to local authorities through loss of revenue, and costs relating to arrears collection, court action and providing support to affected claimants.

- The move to localise Council Tax support has also created a post-code lottery whereby in some areas residents qualify for 100% support while in other areas someone in the same circumstances has to pay as much as 20% of their Council Tax. The Government should commission research into the impact that this variation in Council Tax reduction schemes across the country is having on levels of poverty in different areas.
Universal Credit

- Both private and social sector landlords are concerned about how tenants will manage direct payments of housing costs under Universal Credit. There was particular concern that vulnerable tenants may not receive help until they have accrued unmanageable levels of rent arrears. The development of the Local Support Services Framework is a welcome step towards providing additional support to vulnerable people to adapt to Universal Credit, including the changes in the way support for their housing costs will be paid. However more fundamental assistance is needed to help vulnerable claimants manage their rental payments.

- The Government should give vulnerable claimants the option of having their housing costs support paid direct to their landlords if this is their preference, at least for the first few years of a Universal Credit claim, as a transitional measure.

- Universal Credit claimants should receive a breakdown showing the elements which make up the total UC payment, and which clearly indicates the portion of the payment which is intended to be used for housing costs.

Some of the reforms discussed in this report were implemented in 2011 but the full impacts are only just beginning to become clear. Other were implemented later, in 2013, and so only an initial assessment of their effects can be made at this stage. A number of our recommendations therefore call on the Government to monitor the impacts carefully and to take urgent remedial action where necessary to assist the hardest hit claimants, particularly as a number of them may be affected by other welfare reforms, including those to disability and incapacity benefits.
1 Introduction

In the text of this report our conclusions are set out in **bold type** and our recommendations, to which the Government is required to respond, are set out in **bold italic type**.

**Changes to Housing Benefit**

1. Housing Benefit is an income-related benefit for social and private sector tenants on low incomes (both in and out of work) which was introduced in 1982 in order to simplify a previously complex system including both subsidies and rent rebates. Housing Benefit is administered by local authorities. From 2008, tenants in receipt of Housing Benefit in the private rented sector have had their benefit calculated using the Local Housing Allowance (LHA), which assesses a household’s eligible rate using a percentile of rents in a local “Broad Market Rental Area” (BMRA).¹

2. The coalition Government announced a range of Housing Benefit reforms in the Budget of June 2010, both to LHA and HB in the social sector, as part of its aim to reduce benefit expenditure. Some of the reforms were implemented from 2011; others more recently. In 2012 the Government raised the upper age limit for the Shared Accommodation Rate for single people without dependent children from 25 to 35. From April 2013, the household Benefit Cap was introduced (under the provisions of the Welfare Reform Act 2012), which affects both private and social sector tenants. It limits the total income working-age households can receive from income-related benefits; the difference between a claimant’s total benefit and the Cap level is subtracted from Housing Benefit, or from support for housing costs under Universal Credit.

3. There are a number of other changes affecting support for housing costs:
   - The way Housing Benefit is paid will change under Universal Credit: it will cease to exist as a separate benefit and instead will form the housing costs element of Universal Credit and will then be administered centrally by DWP, rather than by local authorities. Universal Credit will be paid monthly, in arrears, directly to claimants. This will be a change for Housing Benefit claimants in the social sector (and some in the private sector), whose housing costs support is currently paid directly to landlords.
   - In April 2013, Council Tax Benefit was replaced by Council Tax Reduction which is administered by local authorities, who are able to design their own schemes. The reform was accompanied by a 10% reduction in central funding.

¹ LHA was piloted from 2003 and rolled out nationally from 2008
About this inquiry

4. We reported on our assessment of the likely impact of some of the key LHA reforms in December 2010, before they were implemented.\(^2\) It seemed timely to conduct another inquiry now that the impacts are becoming clearer. Our report on Universal Credit, published in 2012, and a subsequent oral evidence session in July 2013 with the Secretary of State for Work and Pensions, had also highlighted the need for further exploration of how support for housing costs will be dealt with under Universal Credit, and the interaction with other welfare reforms.\(^3\)

5. We announced this inquiry in July 2013. It has considered new and innovative responses to the implemented and planned changes to housing support; and the implications of the reforms for social and private sector landlords, local authorities and claimants. We focussed particularly on the potential implications for vulnerable claimants such as people with disabilities, families with children, and those in supported and temporary accommodation.

6. We received over 80 written submissions from a range of organisations and individuals. We also took oral evidence from academics and experts in housing and benefits policy, social and private landlords, local authorities, claimant representatives, claimant advocates and welfare rights advisers. We visited Bedfordshire to discuss the social housing reforms with housing associations, tenants and local authorities. We are grateful to everyone who contributed to our inquiry.

7. Our specialist adviser for this inquiry was Professor Christine Whitehead.\(^4\) We very much appreciate the advice and support she has provided.

8. A number of the reforms discussed in this report were implemented in 2013 and so only an initial assessment of their impact can be made at this stage. Even with the LHA reforms, some of which began in 2011, phased implementation and transitional protection offered to existing claimants mean that evidence of the full effect is only now becoming available. Some of our recommendations therefore focus on the need for the Government itself to monitor carefully the impact of the changes it has introduced and to take urgent remedial action where necessary to assist the hardest hit claimants, particularly given that a number of them will be affected by other welfare reforms, including reforms to disability and incapacity benefits.

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\(^3\) Work and Pensions Committee, Third Report of Session 2012-13, *Universal Credit implementation: meeting the needs of vulnerable claimants*, HC 576; and oral evidence taken on 10 July 2013 on Universal Credit: follow-up, HC 569-i

\(^4\) Relevant interests of the Specialist Adviser were made known to the Committee. The Committee formally noted that Prof Whitehead declared the following interests: adviser to the Board of the Housing Finance Corporation; Fellow of the Society of Property Researchers; Member, Royal Institution of Chartered Surveyors (RICS). Independent research for Shelter, Joseph Rowntree Foundation (JRF), RICS, the Housing Futures Network; Council for Europe Development Bank; and the European Investment Bank. Further independent research working with: the National Housing Federation; Department for Work and Pensions; the Welsh Government; Camden Borough Council; JRF; Realdania in Denmark; Berkeley Homes, Qatari Diar Delancey via the Young Group; and Homes for Scotland.
2 Local Housing Allowance reform and other changes to Housing Benefit

Local Housing Allowance

In April 2008, a new policy for calculating Housing Benefit for private rented sector tenants was introduced nationally, called Local Housing Allowance (LHA). LHA removed the link between a tenant’s rent and their Housing Benefit entitlement and introduced a method of calculating Housing Benefit based on the composition of the household and the median rent in a local “Broad Market Rental Area” (BMRA). In 2009, benefit rates for new LHA claimants were capped at the maximum LHA rate for five bedrooms in each BMRA.

Changes to LHA introduced by the current Government

From 2011, the following changes were made to LHA:

• The LHA rates calculation was reduced from the median rent (50th percentile) in a BMRA to the 30th percentile of BMRA rents in a local area;

• LHA rates were capped by the number of bedrooms at the rates shown in Table 1 below;

• The maximum LHA rate cap was reduced from the five-bedroom cap, to the four-bedroom cap;

• Claimants were no longer allowed to keep excess Housing Benefit (previously paid up to the amount of £15 per week).

Table 1: Maximum amount of Housing Benefit under LHA (capped since 2011)

<table>
<thead>
<tr>
<th>Size of Property</th>
<th>Weekly amount</th>
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<tr>
<td>1 bedroom (or shared accommodation)</td>
<td>Up to £250</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>Up to £290</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>Up to £340</td>
</tr>
<tr>
<td>4 bedrooms or more</td>
<td>Up to £400</td>
</tr>
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From January 2012 the upper age limit for the Shared Accommodation Rate for single people without dependent children was raised from 25 to 35.

5 Prior to April 2008, the majority of Housing Benefit claims were assessed using the same criteria, regardless of whether the claimant was a private tenant or a social tenant.

6 See GOV.UK, Housing Benefit, accessed 7 March 2014

7 Department for Work and Pensions (HCT 08) para 3.1
Changes to the way LHA is up-rated

12. Prior to April 2012, LHA rates were set in relation to rents in the local BMRA. However, the Government has made changes to the way that LHA rates are up-rated as part of wider measures to reduce benefit expenditure. LHA rates were frozen between 2012 and 2013. In 2013 they were up-rated by the Consumer Price Index (CPI). The Government included measures in the Welfare Reform Act 2012 to up-rate LHA annually by CPI from 2013, with a maximum rise of 1% in 2014 and 2015.8

The effect of LHA changes on rents

13. The Government recognised that the reforms to LHA would cause shortfalls between benefit and rent levels unless rent levels declined. However it anticipated that one impact of changes to LHA would be a reduction in rent levels charged in the private sector, and indeed this is one of its policy objectives for the reforms.9

14. The Institute of Fiscal Studies (IFS), as part of an independent consortium commissioned by DWP, conducted an analysis of the impacts of the reforms on rent levels. The interim report published in 2013 found that, at least initially, there had been no perceived reduction in rents in the private sector arising from changes to LHA. Nor had there been a perceived effect on the size of properties rented by LHA recipients, though there was some indication of LHA recipients moving out of London. It concluded that tenants on low incomes, rather than landlords, were feeling the “pain” of the reduction in LHA.10

15. The IFS acknowledged that “early evidence is not a definitive guide to long-run effects” and that it might take time for tenants to renegotiate rents or for landlords to react by lowering rents. However, it identified that there was some evidence of landlords accepting lower rents on an informal basis, while contractual rents remained the same, and believed that this may eventually mean that some contractual rents would be lowered. It concluded that “the effect on rents, and therefore how much of the cut is passed on to landlords, is a key uncertainty.”11

16. The Government argued that in some parts of the country, specifically Yorkshire and the West Midlands, private sector rents had decreased since 2012, and that overall, according to the ONS, there had been a 1% rent increase across the country.12

17. There was some discrepancy between the rent increases cited by the Government and those cited by witnesses. This may be because the Government data comes from the ONS

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8 Welfare Benefits Up-rating Act 2013
9 DWP, Impact Assessment, Housing Benefit: Changes to the Local Housing Allowance Arrangements, November 2012, para 20; see also Work and Pensions Committee, Second Report of Session 2010-12, Changes to Housing Benefit announced in the June 2010 Budget, HC 469, Chapter 2 and Chapter 7
10 Institute for Fiscal Studies [HCT 28] paras 4-5
11 Institute for Fiscal Studies [HCT 28] paras 4-6, 12; Oral evidence taken on 06 November 2014, Q2
12 Oral evidence taken on 12 February 2014, Qqs13-516
Support for housing costs in the reformed welfare system

Experimental Rent Price Index,\(^{13}\) which covers both new, available lets and the stock of tenanted privately rented accommodation, whereas witnesses were more likely to discuss rents in terms of available properties, which will normally be higher than those for existing tenancies.\(^{14}\) Witnesses were concerned that available rents in high demand areas were rising by much more than 1%. Zacchaeus 2000 Trust (Z2K) argued that rents in London had risen by 8% over the previous year.\(^{15}\) Hackney Council elaborated:

The reform of the LHA rate was intended to help control rent levels, but this has not been effective in Hackney (nor in London as a whole). Other factors, such as rising land/property values, the resilient London economy and the lack of affordable stock are more important drivers.\(^{16}\)

**LHA changes, rent and affordability**

18. According to the Children’s Society, the biggest factor contributing to the gap between rent and benefits has been the move from using the 50\(^{th}\) percentile to the 30\(^{th}\) percentile of local rents by property size as a guide for LHA rates. It was, however, also concerned that the 1% limit on annual up-rating of LHA would exacerbate the shortfall between rents and benefit levels. DWP evidence backed this up, showing that in 2013 around 70% of LHA rates were set at the 30\(^{th}\) percentile, dropping in 2014 to around 45%. Z2K argued that far fewer than 30% of private sector properties were now available to Housing Benefit recipients in the private sector. It cited Hackney Citizens Advice Bureau (CAB) research which found that only around 9% of private sector properties in Hackney fell within LHA rates.\(^{17}\)

19. The Children’s Society submitted data showing the impact that the reforms have had on the level of rents in the private sector; it pointed out that since 2011 the gap between LHA rates and rents has continued to widen.

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\(^{13}\) ONS *Statistical bulletin: Index of Private Housing Rental Prices, September to December 2013* January 2014

\(^{14}\) See for example West London Housing Partnership *(HCT 38)*, section 2

\(^{15}\) Oral evidence taken on 15 January 2014, Q301; Oral evidence taken on 29 January 2014, Q445; Oral evidence taken on 12 February 2014, Q514

\(^{16}\) London Borough of Hackney *(HCT 51)* para 17

\(^{17}\) Oral evidence taken on 15 January 2014, Q293; Zacchaeus 2000 Trust *(HCT 35)* para 12; DWP *(HCT92)* section 2
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Figure 1: Eligible rent and expected rent for three bedroom property (English average) 2010–2013

20. The Children’s Society and Citizens Advice told us that, as a result of Housing Benefit rising more slowly than rent levels, many private sector households would, over time, see their arrears levels increasing.19

Impact of LHA reforms on private sector landlords

21. There is evidence that increasing numbers of private sector landlords are no longer willing to rent to Housing Benefit recipients.20 Several witnesses reported that the number of evictions of Housing Benefit recipients in the private rental sector (PRS) has increased since 2010 as a result of landlords ending shorthold tenancies with a view to re-renting properties at higher prices to tenants not in receipt of Housing Benefit.21 Homeless Link referred to reports from an agency which places homeless people in the private sector, which had lost 20% of the landlords with whom it had worked within the last year “specifically on the grounds that they think they can get higher rents paid by people who are not on benefits.”22

22. Representatives of private landlords agreed. Chris Town of the Residential Landlords Association (RLA) said: “the vast majority [of our members] are reluctant to take benefit claimants, not just because of the benefit and welfare changes, but because of higher management costs involved in managing benefit claimants.” The RLA reported that arrears have increased since the introduction of the LHA (and the switch to paying Housing Benefit directly to tenants in the private sector). It warned that, as LHA rates continue to lose value relative to private sector rents, landlords will have less motivation to rent to

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18 The Children’s Society (HCT 80) section 1, Figure 2
19 Oral evidence taken on 15 January 2014, Qq295-296
20 Oral evidence taken on 04 December 2013, Qq87, 89, 98
21 Oral evidence taken on 06 November 2014, Qq5, 34; Oral evidence taken on 15 January 2014, Q297
22 Oral evidence taken on 15 January 2014 Q297
benefit claimants or invest in the affordable rental market and less incentive to keep homes properly repaired and maintained.  

Carolyn Uphill of the National Landlords Association made a similar point:

[...] in the last three years there has been a 50% drop in the number of landlords taking people who are on benefits. It is now down to only one fifth; 22% of our landlord members whom we surveyed say they have LHA tenants, and 52% of those surveyed said they would not look at taking on benefits tenants.

23. Witnesses reported that the quality of PRS properties now available at LHA rates was relatively poor. St Mungo’s told us that the majority of PRS accommodation affordable to those in receipt of Housing Benefit was near the “lower limit” of minimal standards of accommodation. It was finding that, before placing people in available properties, “a lot of work has to be done around addressing issues that have a big impact on health, around damp and other issues.” Homeless Link reported that it was being compelled to place people in poor quality PRS properties because there were no other available options.

24. The Government argued that private sector landlords were still willing to rent to people in receipt of Housing Benefit and pointed out that 30% of people renting in the private sector were in receipt of Housing Benefit. We queried this figure with Lord Freud as in our 2010 inquiry he had told us that the figure was 40%. In subsequent written evidence, the Government acknowledged that “there are different sources of information on the proportion of the PRS that is in receipt of housing benefit. None of these gives a definitively accurate figure”. At the time of the 2011 census, it is estimated that “there were potentially 34% of households in the PRS in receipt of housing benefit” but this was likely to be “a small overestimate because a household may include more than one benefit unit in receipt of housing benefit”.

25. Lord Freud told us that “the number of housing benefit claimants in the private-rented sector has increased by around 8% nationally and by around 5% in London”. Data provided in subsequent supplementary evidence showed an increase between 2008 and 2012 in numbers of tenants on Housing Benefit in the PRS, and then a slight decline between November 2012 and 2013. It is not yet apparent whether this is a trend which will continue.

26. The Children’s Society provided a graph showing the number of households who lost their last home as a result of the end of an assured shorthold tenancy and who were accepted as being owed a main homelessness duty (which means that the local authority

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23 Residential Landlords Association (HCT 59) paras 4.4.1, 6.2-6.3; Oral evidence taken on 18 December 2014, Q260
24 Oral evidence taken on 18 December 2014, Q261
25 Oral evidence taken on 15 January 2014, Qq299, 304-305
26 Oral evidence taken on 12 February 2014, Q535
27 DWP (HCT92) section 1
28 Oral evidence taken on 12 February 2014, Q523; DWP (HCT92) section 1
has a duty to house these households). The Children’s Society pointed out that the number has nearly tripled since 2010.

![Figure 2: Households accepted as owed a main homelessness duty by the Local Authority who lost their last home as a result of the end of an Assured Shorthold Tenancy: 2010–2013](image)

27. We welcome the Government’s efforts to encourage private sector landlords to keep rents affordable and thereby help to keep LHA expenditure under control. However, we are concerned that, for some recipients of Housing Benefit, rents are becoming increasingly less affordable in the private sector. We recommend that the Government monitor the private sector rental market and that, if it finds evidence of a rise in homelessness and evictions and a decline in new letting to tenants in receipt of Housing Benefit, it should consider increasing LHA rates by more than 1% annually in the more pressured areas.

28. We are concerned that landlords are increasingly reluctant to let to tenants in receipt of Housing Benefit and to provide temporary accommodation, and that many of the private rental sector properties that do remain affordable to Housing Benefit recipients are of poor quality. We recommend that the Government work closely with private sector landlords to address their concerns and provide greater support to landlords who rent to Housing Benefit claimants.

### Homelessness, the private rental sector and local authority duties

29. A number of witnesses reported adverse impacts on homelessness rates arising from the LHA reforms. The West London Housing Partnership told us that evictions from private rented accommodation of those who cannot pay their rent as a result of LHA reforms was becoming the “biggest single cause of homelessness.” Hackney Council reported an increase in homelessness, which it attributed partly to private landlords

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29 The Children’s Society (HCT 80) section 1, Figure 3
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refusing to rent to Housing Benefit tenants and partly to private sector rents becoming increasingly unaffordable.\(^{30}\)

30. The Government did not accept this. Kris Hopkins MP, the Minister for Housing, told us that the number of “acceptances” of homeless families had dropped in October-December 2013 by 4% compared with the same quarter in 2012.\(^ {31}\) However, these figures relate only to homeless acceptances by local authorities. The level for those found to be homeless but not in priority need (and therefore not considered to be part of a “vulnerable group” and so not included in homeless acceptances) increased by 9% from July-September 2013 compared with the same quarter in 2012. In order to qualify as priority need, households need to be vulnerable in some way (for example, single mothers) or the victim of special circumstances (such as fire or flood). The Government figures also showed that, in London, homeless acceptances were up by 13% from the previous year (though down on average in England) and that “the ending of an assured shorthold tenancy has been the most frequently occurring reason for the loss of last settled home for the last six consecutive quarters.”\(^ {32}\)

31. Hackney Council reported that it was becoming progressively more difficult to place homeless families in the private sector.\(^ {33}\) The West London Housing Partnership elaborated, explaining that, while homelessness, and therefore the need for temporary accommodation used to house homeless households, had been rising since 2011, private sector landlords were finding it less profitable to run temporary accommodation schemes and were instead opting to rent privately to non-benefit claimants. It was concerned that the supply, especially in London, of temporary accommodation was therefore dwindling and local authorities were being put in a position where they either had to fund homeless families to stay in highly expensive London-based temporary accommodation or to look for other temporary accommodation outside London.\(^ {34}\)

32. Centrepoint told us that it was getting harder to place homeless people in the private sector and therefore the number of people and families “stranded” in temporary accommodation and waiting for more permanent housing was on the increase. This was making it increasingly difficult to place newly homeless households in temporary accommodation. It claimed that an additional 15,670 units of emergency and supported accommodation would be required in order to house all young people who either have no suitable accommodation or “who may be street homeless, sofa-surfing or staying in other temporary forms of accommodation”. It called this phenomenon “bed-blocking”. St Mungo’s had experienced a similar trend, describing it as “silting up”.\(^ {35}\)

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30 Oral evidence taken on 18 December 2014, Q197; London Borough of Hackney (HCT 51) paras 15-16; West London Housing partnership (HCT 38) section 3
31 Oral evidence taken on 12 February 2014, Q498
32 Oral evidence taken on 12 February 2014, Q499; Statutory Homelessness: July to September Quarter 2013, England, Pp 4-5, 13
33 London Borough of Hackney (HCT 51) paras 15-16
34 West London Housing partnership (HCT 38) sections 3-4
35 Centrepoint (HCT 12) paras 8&9; St Mungo’s (HCT 10) para 4.2
33. Laurence Coaker of West London Housing Partnership told us that the London Borough of Brent had been experiencing significant problems placing homeless households in temporary accommodation or the private sector and, as a result, had increased the use of emergency bed and breakfast (B&B) accommodation, which was a more expensive option. New Charter Housing Trust said that, in Knowsley “the current temporary accommodation model is B&B for the majority of placements”.

34. In Scotland everyone accepted as meeting the definition of being homeless has a right to a housing offer (ie the priority/non priority need distinction has been ended). Recent numbers of homeless acceptances are down, which is thought largely to be due to better prevention and advice. However, despite the fall in acceptances, the numbers in temporary accommodation, and the length of time for which they are so accommodated, is rising in the most pressured areas, such as Edinburgh, leading to higher housing benefit expenditure. As in other parts of the UK, homeless presentations due directly to the ending of a private sector tenancy are also rising, and more limited access to private rented accommodation may also be a contributing factor.

35. The Housing Minister told us that the number of homeless families with children spending over six weeks in a B&B had reduced by 10% over the past year. However the statistical release from which this figure is drawn also showed that, in England, the total number of households in B&B accommodation and the total number of households in temporary accommodation had both increased by 6% between September 2012 and September 2013.

36. There is evidence that Housing Benefit reforms are contributing to increased levels of homelessness with corresponding serious implications for households and for local authorities. We note the Government’s assertion that homelessness acceptances overall have decreased in England but we are concerned that rises are occurring in certain high-demand areas, such as London, and that homelessness among those not in priority need increased by 9% between 2012 and 2013. We recommend that the Government take steps to monitor the impact on homelessness of the Housing Benefit reforms it has introduced. If they are found to be exacerbating homelessness, the Government must look at further ways of supporting people and local authorities to prevent and deal with homelessness.
Changes to the Shared Accommodation Rate

37. Since 1996, single Housing Benefit recipients under the age of 25 without dependents, living in private rented accommodation, have only received Housing Benefit (or LHA) up to the average local rent for a room in a shared house. This is called the Shared Accommodation Rate (SAR). From April 2012, as part of the 2010 Housing Benefit reforms, the Government extended the SAR to any single claimant under the age of 35 without dependent children.41

38. Witnesses were concerned about the impact of these changes. Professor Fitzpatrick of Heriot-Watt University emphasised that vulnerable younger people and women fleeing domestic violence might now be expected to share accommodation with older people who might have mental health or drug and alcohol problems or otherwise be placed in an environment where they might not feel safe.42 Citizens Advice also pointed out that in some cases, for example for some people with mental health problems, sharing might not be appropriate, and for those for whom it may be appropriate, accommodation within the SAR might simply not be available.43

39. Homeless Link found that only 5.5% of properties in London were affordable within the SAR, and most of these were unavailable to Housing Benefit claimants. It believed this was also the case in other parts of the country. Centrepoint told us that “mystery shopping” undertaken by crisis had revealed that only 1.5% of the properties it looked at were affordable and had landlords willing to rent to young people in receipt of Housing Benefit. A similar exercise undertaken by a Surrey Citizens Advice Bureau discovered only six rooms available within the SAR with landlords who were willing to accept Housing Benefit claimants.44

40. Centrepoint argued that the change to the age threshold for the SAR had affected 62,500 people “but this has not been matched by any initiatives to increase supply, thus inevitably driving up prices.” This point was also made by Homeless Link, who referred to estimates indicating that “the number of people seeking SAR properties had increased by 40% since the changes.”45

41. The Government argued that in “60% of localities” the LHA rate for a two-bedroom house was less than twice the SAR for the same area. It pointed out that the number of 25-34 year olds claiming Housing Benefit had decreased by 14% between December 2011 and August 2013, and by 10% for those under 25.46 However, Geoff Fimister of Citizens Advice believed that many affected young people across the UK were ceasing to claim Housing

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41 House of Commons Library Standard Note, Housing benefit: Shared Accommodation Rate, 27 March 2012, SN/SPS889
42 Oral evidence taken on 06 November 2014, Q9
43 Citizens Advice (HCT 77) para 2.4
44 Homeless Link (HCT 14) para 13, Centrepoint (HCT 12) para 5, Surrey Welfare Rights Unit (HCT 30) para 2
45 Centrepoint (HCT 12) paras 5&6, Homeless Link (HCT 14) footnote 11
46 Oral evidence taken on 12 February 2014, Q546
Benefit and opting instead to sleep “on friends’ floors and in various informal settings of that nature.” Joanna Kennedy told us that Z2K had also seen evidence of:

[...] an enormous amount of hidden homelessness—of these people sleeping on sofas, living in incredibly overcrowded accommodation or living in a single room that they were entitled to before the changes but cannot now afford because their benefit has been cut, and they are getting massively into debt.47

42. Surrey Welfare Rights Unit also highlighted the issue of clients who had non-resident children, who reported being compelled by the raising of the SAR to move to shared accommodation, which meant they could no longer host their children for periodic or regular visits.48

43. We are concerned that the extension of the Shared Accommodation Rate (SAR) to single claimants up to age 35 may have reduced the availability of safe, appropriate accommodation for younger people, some of whom may be vulnerable. We recommend that the Government assess the impact of changes to the SAR. If it appears that it is resulting in some vulnerable young people having to live in situations which are inappropriate or which put them at risk, the Government should investigate introducing exemptions for vulnerable people, and take steps to increase provision of appropriate accommodation.

The Targeted Affordability Fund

44. The Government has committed to using 30% of the savings created from the cap on LHA up-rating (as at Autumn Statement 2012) to increase some LHA rates by more than the 1% limit. The funding for this is known as the Local Housing Allowance Targeted Affordability Fund. The Government announced in December 2013 that it would be increasing 126 LHA rates (out of 960) by 4%, in the areas where rates differ the most from market rents, and regulations were laid instructing rent officers on how to set the LHA rates in January 2014 to this effect.49

45. Paul Anderson of Homeless Link was concerned that the Targeted Affordability Fund would not be sufficient to address the projected level of rent increases across different regions of England over the next few years. Z2K pointed out that rents in London were increasing by 8%, 4% more than the scope of the Fund.50

46. Sam Royston of the Children’s Society argued that the Fund would at least be a better form of intervention than the shorter-term intervention of Discretionary Housing Payments (covered in more detail later in this report) because “it has that automatic up-

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47 Oral evidence taken on 29 January 2014, Qq 445, 457
48 Surrey Welfare Rights Unit (HCT 30) para 2
49 DWP, Local Housing Allowance Targeted Affordability Funding – Outcome of the call for evidence, December 2013, para 20
50 Oral evidence taken on 15 January 2014, Q301; Oral evidence taken on 29 January 2014, Qq445, 456
rating of people’s entitlement, it makes sure that people get some extra help, and it is a long-term solution, rather than just a short-term intervention”.

47. We welcome the introduction of the Targeted Affordability Fund (TAF) as a means of increasing LHA levels in areas of higher than average rent rises. However, we are concerned that some areas may see rents rising by more than the TAF maximum of 4% yearly, particularly in London. We recommend that the Government amend the TAF so that it can be paid at higher levels in areas where rent increases are greater than 4%, and that it should use available rents rather than stock rents as a measure of the rental increase.

51 Oral evidence taken on 15 January 2014, Q302
3 The Social Sector Size Criteria (SSSC)

48. The Welfare Reform Act 2012 gave the Government powers to reduce Housing Benefit for social sector tenants of working age deemed to have more bedrooms than required for their family’s size. The Government named this policy the “removal of the spare room subsidy”. Opponents of the policy call it the “bedroom tax”. In the interests of neutrality we refer to the policy as the “social sector size criteria” (SSSC). The policy was implemented from April 2013. Housing Benefit claimants in the private rented sector have been subject to restrictions in Housing Benefit based on the size of their accommodation since 1989.

49. The intentions of the SSSC are: to contain spending on Housing Benefit; to provide motivation for tenants to move into smaller accommodation if they are not using all the space in their current accommodation, thus freeing up larger properties for those who need them; and to provide further work incentives. The Government expected to save around £930 million over two years (in present value) as a result of the reform, and originally estimated that it would affect 660,000 households. The SSSC initially affected a lower number: 547,000 in May 2013, dropping to just under 500,000 by November 2013.

50. The new Regulations allow one bedroom per:

- single adult or couple;
- any two children under 15 of the same gender;
- any two children under 9 of either gender.

51. Exemptions apply to non-resident carers who provide overnight care and parents whose adult son or daughter is serving in the armed forces. Approved foster carers who have been between placements for 52 weeks or less qualify for one spare bedroom. From 4 December 2013, following the outcome of a court case which found against the Government, the exemption was extended to households containing “a severely disabled child who would normally be expected to share a bedroom [but] is not reasonably able to do so due to their disability.”

52. Those deemed to have extra bedrooms will have their support for housing costs reduced by a fixed percentage of their eligible rent (the full assessed reasonable rent for their property) regardless of the level of support for housing costs they receive. The reduction rates are:

- Where “under occupying” by one bedroom—14% of eligible rent


53 Explanatory Memorandum to the Housing Benefit And Universal Credit (Size Criteria) (Miscellaneous Amendments) Regulations 2013 No. 2828
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- Where “under occupying” by two or more bedrooms—25% of eligible rent.\textsuperscript{54}

53. The Government has commissioned an independent evaluation of the effect of the policy across Great Britain. The consortium will present initial findings in 2014 and a final report in 2015.\textsuperscript{55}

**The regional impact of the SSSC**

54. The latest estimates show that around half a million households are affected by the SSSC. However, the impact varies significantly across the regions of the UK.

**Wales**

55. Wales, with its large rural population, is experiencing the largest proportional impact from the SSSC: 46% of working-age social housing tenants in Wales are affected.\textsuperscript{56} Rural areas in particular are known to have lower amounts of social housing, and the available stock tends to be larger sized accommodation. Community Housing Cymru reported that, while many of the 40,000 affected Welsh tenants wished to downsize to avoid the SSSC deduction, there are not enough smaller properties available for these tenants. Welsh housing associations were concerned that rural tenants would have no choice but to move to different areas if they wished to downsize in response to the SSSC.\textsuperscript{57}

**Scotland**

56. Scotland, like Wales, has relatively few smaller properties and is therefore experiencing a significant impact from the SSSC with 82,500 households affected. The Convention of Scottish Local Authorities (CoSLA) told us that around 68,500 Scottish households would require a one-bedroom reduction and around 14,000 would require a two-bedroom reduction to avoid losing any Housing Benefit. However, according to the Scottish Government, there are only around 21,657 one-bedroom properties and 27,791 two-bedroom properties in total available for rent in the social sector.\textsuperscript{58}

57. The Scottish Government pledged that it would use DHP funds to cover the entire shortfall in Housing Benefit arising from the SSSC in Scotland. Central Government allocated £15 million in DHP funding to Scotland in 2013-14. The Scottish Government added £20 million to DHP from its own budgets, bringing the total DHP fund up to £35 million. In order to fulfil its pledge, it would need to add another £15 million to the DHP fund, bringing it up to £50 million. However, central Government has capped the amount

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\textsuperscript{54} DWP, *Impact Assessment: Housing Benefit: Under occupation of social housing*, June 2012

\textsuperscript{55} DWP, \textsuperscript{(HCT 08)} para 4.5, the consortium is made up of Ipsos MORI, Cambridge Centre for Housing and Planning Research and the Institute for Fiscal Studies

\textsuperscript{56} Welsh Affairs Committee, Second Report of Session 2013–14, *The impact of changes to housing benefit in Wales*, HC 159, p 3

\textsuperscript{57} Community Housing Cymru \textsuperscript{(HCT 46)} paras 10 & 11

\textsuperscript{58} Scottish Federation of Housing Associations \textsuperscript{(HCT 49)} paras 5.3.1–5.3.2; Convention of Scottish Local Authorities \textsuperscript{(HCT 53)} para 14
of top-up that local authorities can add to their DHP to 2.5 times the original allocation. This cap will need to be lifted in order to allow the additional £15 million to be added. The Scottish Government has requested that the cap be lifted but DWP has not yet responded to the request.\textsuperscript{59} There is ongoing debate in Scotland over using other mechanisms to close the funding gap.

\textbf{England}

58. Households in London and the South of England are proportionately less affected by the SSSC than those in the North, as there are fewer households that are deemed to be “under-occupying” (overcrowding of households is a greater issue in the South). The North of England, which has more rural areas and areas with lower concentrations of social housing, contain a greater proportion of households affected by the SSSC. The annual financial loss to households in the three most affected areas in the North of England is £160 million compared to £30 million in the South East of England.\textsuperscript{60}

59. The Industrial Communities Alliance provided a table showing the regional impact of the SSSC (based on the initial estimate of the numbers of households affected):

\begin{center}
\begin{tabular}{lcccc}
 & Housing Benefit: Under-occupation & & & \\
 & No of h’holds affected & Estimated loss £m p.a. & No. of h’holds affected per 10,000 & Financial loss per working age adult £ p.a. \\
\hline
North East & 50,000 & 30 & 440 & 20 \\
North West & 110,000 & 80 & 370 & 18 \\
Yorkshire/Humber & 80,000 & 50 & 360 & 16 \\
London & 80,000 & 90 & 240 & 15 \\
Scotland & 80,000 & 50 & 340 & 14 \\
Wales & 40,000 & 20 & 310 & 13 \\
West Midlands & 60,000 & 40 & 260 & 11 \\
East & 50,000 & 40 & 210 & 11 \\
East Midlands & 40,000 & 20 & 210 & 9 \\
South West & 30,000 & 20 & 130 & 7 \\
South East & 40,000 & 30 & 110 & 6 \\
\hline
Great Britain & 660,000 & 490 & 260 & 10 \\
\end{tabular}
\end{center}

\textbf{The SSSC and housing stock}

60. Housing stock differs from area to area depending on when it was built. Carol Matthews of Riverside Housing Group explained that larger properties predominate in

\begin{footnotesize}
\textsuperscript{59} Inside Housing "Freud and IDS stonewalling bedroom tax fund request", 11 March 2014; Inside Housing "Scotland pledges to meet full cost of bedroom tax", 3 February 2014; House of Commons Library Standard Note, Under-occupation of social housing: Housing Benefit entitlement, 24 February 2014, SN/SP/6272

\textsuperscript{60} DWP, Impact Assessment- Housing Benefit: Under occupation of social housing, June 2012, Pp. 10, 18

\textsuperscript{61} Industrial Communities Alliance (HCT 21) p 4
\end{footnotesize}
some areas where social housing stock was built in the 1930s, 1940s and 1950s when requirements were for “larger family accommodation.” Andrew Fraser of NHS Health Scotland cited the case of a family in his area, living in an estate built in the 1950s in which every property has three bedrooms.62 In some cases, local authorities and providers have deliberately “under-occupied” social housing. Between 1993 and 2009, 40% of registered provider two-bedroom homes outside London were allocated to single people.63 Affinity Sutton Group explained:

In some areas, particularly in the north of England, we have historically allowed under-occupation of three and four bedroom houses. This is both because this is the predominant property type and also because we cannot meet the large demand for two bedroom homes. Additionally, we try to actively manage levels of child density, thereby allowing families to grow into a property and help with community stability and cohesion. Most local authority allocation schemes allowed for under occupation by one bedroom for the same reasons.64

61. Social housing providers emphasised that it was not straightforward to downsize tenants, mainly because of the lack of smaller properties.65 The LGA explained that it was difficult to move affected tenants, not just because of the lack of smaller properties but because there was a general lack of housing stock.66

62. Newcastle City Council commented that “re-housing people affected by the SSSC presents a huge challenge.” 3,233 of its tenants were on the waiting list for a one-bedroom property but only around 800 one-bedroom properties were becoming available each year (including bedsits).67 The West London Housing Partnership said that, while priority is given to social tenants who are downsizing, only 234 of the 4,000 households impacted by the SSSC had been able to move in the preceding year, indicating that the majority “will be stuck for many years being penalised for something they cannot swiftly change.”68

63. Professor Steve Wilcox also made the point that social housing tenants do not necessarily choose the size of the property that they live in, rather it is:

[...] essentially allocated, rather than selected [...] They are not in full control of what they are allocated, but the degree of influence varies from area to area. Equally, the demand for transfers and the pressures on stock will vary from one part of the country to another.69

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62 Oral evidence taken on 15 January 2014, Q330
63 Homes and Communities Agency What, where and for whom have Registered Providers been building between 1989 – 2009 May 2011
64 Affinity Sutton (HCT 23) para 2.8
65 Oral evidence taken on 04 December 2013, Qq99-101
66 Oral evidence taken on 18 December 2014, Q227
67 Newcastle City Council (HCT 48) para 7
68 West London Housing partnership (HCT 38) section 5
69 Oral evidence taken on 06 November 2014, Q54
64. *We understand the Government’s wish to use social housing stock more efficiently and to reduce overcrowding. However, the SSSC so far seems to be a blunt instrument for achieving this. In many areas there is insufficient smaller social housing stock to which affected tenants can move, meaning that they remain in housing deemed to be too large and pay the SSSC. This is likely to be causing financial hardship to a significant number of households. We recommend that the Government carries out a detailed assessment of the available social housing stock in each local authority area. If there is clear evidence that there is insufficient smaller housing stock and that those who are willing to move cannot do so, the Government should consider allowing affected households more time to find ways of adjusting to the SSSC before the reduction in benefit is applied. Where a household is under-occupying but there is no suitable, reasonable alternative available, the SSSC reduction in benefit should not be applied.*

65. *To support the policy intent of better and more innovative use of social housing stock, and as a further measure to ease the burden on affected tenants and providers, we recommend that the Government allocate funding to a national scheme in which all providers of social housing can share information about their available housing stock; the stock needed by tenants on housing waiting lists; and those households interested in mutual exchange.*

**SSSC policy design**

66. Some witnesses believed there were problems with the Government’s assessment of the amount of space families required. Community Housing Cymru and Professor Wilcox both made the point that, within social housing, bedrooms are generally designed as either one-bed-space or two-bed-space rooms, and that many social sector properties contain rooms which have only one-bed-space. These are specifically designed to accommodate only one child. They were concerned that, as a result of the policy, some families are essentially being expected to fit two children into a bedroom designed to contain a single child. Carol Matthews of Riverside told us that bedrooms classified as single by the local authority were being classified as double bedrooms under the SSSC regulations.\(^7\)

67. Professor Wilcox explained that current social housing stock had been built with a particular idea of how much accommodation was suitable for families, in which an extra room for a household was not necessarily considered to be “under-occupying”. The number of rooms allowed under the SSSC was similar to that thought suitable according to pre-Second World War environmental health standards, and was no longer applicable to modern health and social standards. Riverside pointed out that the Department for Communities and Local Government (DCLG) bedroom standard more closely resembles the ones used by social housing providers. Moving the SSSC to the DCLG standard would

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\(^7\) Community Housing Cymru *(HCT 46)* para 9; Oral evidence taken on 06 November 2014, Q56; Oral evidence taken on 04 December 2013, Q113
make the application of the policy simpler and free up enough homes to be able to deal with overcrowding.\footnote{Oral evidence taken on \textit{06 November 2014}, Q54; Oral evidence taken on \textit{04 December 2013}, Q137}

68. Newcastle City Council questioned whether the SSSC policy was likely to succeed in encouraging better use of social housing stock. It pointed out that in Newcastle overcrowding was not a significant issue with only 1% of households on the housing register in a preferential category because of overcrowding, compared to 4% classified as being in particular need because of welfare reform. It cited research which found that Newcastle’s social housing market was typical of the wider region and it suggested that it was therefore unlikely that moving tenants to neighbouring authority areas would constitute a solution.\footnote{Newcastle City Council (HCT 48) paras 8&9} Councillor McCarty made the point that the SSSC had actually led to very few over-crowded families being rehoused.\footnote{Oral evidence taken on \textit{18 December 2014}, Q218}

69. \textit{We are concerned that the number of bed-spaces per bedroom is not taken into account when assessing whether people are considered to be “under-occupying” within the regulations governing the SSSC policy and that, therefore, in some cases, two children are being expected to share a room that was designed for one child. We recommend that the Government use the Department for Communities and Local Government standard of bed-spaces rather than the number of bedrooms in order to determine whether a household is under-occupying under the SSSC.}

70. DWP originally estimated that in around 63% of affected households either the claimant or their partner would have a disability (as defined under the Disability Discrimination Act).\footnote{HC Deb, 21 November 2013, col 1021w. The numbers affected by the SSSC have since been revised to 547,000.} Witnesses estimated that 60-70\% of affected households in England and 80\% of affected households in Scotland contain someone with a disability.\footnote{Scope (HCT 45) paras 6.2; Citizen’s Advice Scotland, \textit{Voices from the frontline: The Bedroom Tax and disabled people}, November 2013; Oral evidence taken on \textit{29 January 2014}, Q418}

71. Witnesses were particularly concerned about the impact on the estimated 100,000 affected households who live in properties which have been adapted or were purpose built to accommodate the tenant’s needs arising from their disability. Housing associations argued that moving from an adapted property was not practical or cost-effective for this group of tenants because of the cost incurred in refitting the aids and adaptations in a new property. The National Housing Federation told us that the average grant awarded to provide aids and adaptions was £6,500. Scope pointed out that, for many disabled people, moving home was problematic: people with mental health conditions “find the thought of
moving very distressing”; and people with physical disabilities “will find packing and moving house impossible, and hiring someone to help, too expensive.”

72. Witnesses pointed out that there was a serious shortage of suitable properties, or ones which could be easily adapted, for those with mobility difficulties. Habinteg housing association told us that people with disabilities whose circumstances meant they were willing and able to move might still be compelled to wait up to 10 years for a suitably accessible property, meaning affected tenants could be forced into a situation where they would need to fund the extra housing costs themselves for up to 10 years.

73. In response to a Court of Appeal judgement in May 2012 in relation to the Local Housing Allowance size criteria, households containing a child with a severe disability which means they are unable to share a bedroom were exempted. The Government issued guidance in March 2013 which made clear that the exemption also applies to the SSSC. It states that:

> When a claimant says that their children are unable to share a bedroom, it will be for LAs to satisfy themselves that this is the case, for example, a claim is likely to be supported by medical evidence and many children are likely to be in receipt of Disability Living Allowance (DLA) for their medical condition. In addition LAs must consider not only the nature and severity of the disability, but also the nature and frequency of care required during the night, and the extent and regularity of the disturbance to the sleep of the child who would normally be required to share the bedroom. In all cases this will come down to a matter of judgement on facts of each individual case.

74. Under the SSSC policy an extra room is allowed for “a carer (or team of carers) providing overnight care.” This does not include part-time carers; nor carers who are also the partner of the person for whom they provide care, who are expected to share a room with the person to whom they provide care. Carers UK believed that it was “inconsistent and inequitable” that an extra room was not permitted for carers who care for their disabled partner. It pointed out that some carers who are also partners may be unable to share a room because of the condition of their partner or because of the equipment required to assist the disabled person, which may be noisy or cumbersome. It stressed that it was important for carers to have a separate bedroom so that they can avoid disturbed sleep and continue to provide care. It also gave the examples of people with disabilities needing an extra room to store oxygen equipment, dialysis machines or for lifts.

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76 National Housing Federation [HCT 31] para 6.3; Chartered Institute of Housing [HCT 63] para 1.12; Placeshapers [HCT 4] para 4.3; Scope [HCT 49] para 6.4
77 Habinteg [HCT 18] para 3.1
79 Carers UK [HCT 76] para 2.1, Oral evidence taken on 15 January 2014, Q319
75. Professor Wilcox argued that it made more sense to exempt people with disabilities from the SSSC. The Coalition of Care and Support Providers in Scotland (CCPS) specifically recommended that people with adapted homes or couples who cannot share a room because of disability be exempt. Several witnesses believed that people in receipt of Personal Independence Payment (PIP) and Disability Living Allowance (DLA) should be exempted from the SSSC. Surrey Welfare Rights Unit believed that people who needed carers who, even occasionally, required their own room, should be exempt.

76. The Government told us that it had no plans at present to exempt adults with disabilities from the SSSC, and that it was more interested in ensuring that DHPs were structured in a way which provided support to people with disabilities, especially those in “heavily adapted homes”. However, as discussed in greater detail in Chapter 7, it can be difficult for some people with disabilities to access DHPs, especially in areas where local authorities are taking disability benefits into account in the means test for DHPs.

77. **We note that the SSSC is affecting many people with disabilities who have adapted homes or who need a spare room to hold medical equipment or to accommodate a carer. We are deeply concerned that the policy is causing severe financial hardship and distress to people with disabilities, many of whom will not easily be able to move. We do not believe that Discretionary Housing Payments are able to provide effective support to these households because of their short-term and temporary nature, the variability in award and the distress that having to re-apply can cause to affected households. We recommend that disabled people living in a home that has been significantly adapted for them should be exempt from the SSSC. We also recommend that the Government exempt from the SSSC households which contain a person who is in receipt of the higher level mobility or care component of Disability Living Allowance (DLA) and the equivalent in Personal Independence Payment (PIP).**

78. **If the Government is unwilling to use DLA and PIP entitlement to establish a right to an exemption from SSSC for disabled people, then we recommend that it extend to adults the exemption already applicable to households containing disabled children who are unable to share a room because of their severe disabilities, as assessed by local authorities. This exemption should include those whose disability means that a room is required for medical equipment, or for a carer, including a partner who is also a carer, and part-time carers.**

**The impact of the SSSC on affected tenants**

79. Witnesses were concerned that households affected by the SSSC were experiencing financial hardship. Surrey Welfare Rights Unit described the SSSC as having had an “unprecedented negative impact on some tenants” who were “forced into rent shortfalls.”

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80 Oral evidence taken on 06 November 2014, Q60; Oral evidence taken on 04 December 2013, 160; Oral evidence taken on 18 December 2014, 222-223; Oral evidence taken on 29 January 2014 420; Coalition of Care and Support Providers in Scotland (HCT 22) paras 3.8-3.9

81 Oral evidence taken on 12 February 2014, Q565
Steve McIntosh of Carers UK reported that, of the affected families who were paying the shortfall in Housing Benefit, 75% were cutting back on food or heating and that tenants who were not covering the costs were accruing debt or arrears. \(^{82}\) StepChange Debt Charity made a similar point.\(^{83}\) Z2K was concerned by the Government’s assertion that people could easily make up their SSSC reduction through increasing work by two or three hours. It pointed out that, because of tapers to Housing Benefit and Council Tax Reduction, people may in some cases need to work an extra 12 hours or more in order to make up the shortfall, an option which may not be available to all affected claimants.\(^{84}\)

**Steps by housing associations to mitigate the impact of the SSSC**

80. Many housing associations told us that they had been working to mitigate the impact of the SSSC on their tenants and on their own budgets by:

- investing in “awareness raising” among tenants about the benefit reforms and how they might be affected.
- working with tenants to improve their job readiness.
- increasing the number of welfare benefits advisers and the provision of debt and money advice services.
- offering financial assistance to those wishing to downsize.
- use of mutual exchange and home swapping services.\(^{85}\)

81. Some housing associations and local authorities reported getting to know tenants better and building better working relationships with them as a result of the increased focus on engagement. Better relationships increased the likely success of interventions around work, moving or applying for the full range of available benefits.\(^{86}\)

82. Witnesses agreed, however, that for many affected households there were few options because of lack of availability of alternative housing, inability to find work (or the right kind of work) or disability.\(^{87}\)

83. Official statistics show that the numbers of affected claimants dropped from 547,000 in May 2013 to just under 500,000 by November 2013. However, the data do not show the reasons for the reduction. Some of the reduction could be related to changes in household structure, moving house, entering work, or increasing hours. Other reductions could be as a result of claimants ceasing to claim because their entitlement was reduced to zero, or to

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\(^{82}\) Surrey Welfare Rights Unit (HCT 30) para 3; Oral evidence taken on 15 January 2014, Q321

\(^{83}\) Oral evidence taken on 29 January 2014, Qq409, 411

\(^{84}\) Zacchaeus 2000 Trust (HCT 35) paras 25-26

\(^{85}\) Peabody Trust (HCT 01) p. 1; Habinteg (HCT 18) para 4.1.4; Aragon Housing Association (HCT 81) p. 2; Community Housing Cymru (HCT 46) para 14; Home Group (HCT 19), para 7

\(^{86}\) East Kent Housing (HCT 03); Caerphilly County Borough Council (HCT 20) para 2.1

\(^{87}\) Oral evidence taken on 18 December 2014, Q185; Oral evidence taken on 29 January 2014, Q411
such a low level that they decided to stop claiming, or because they were already in the process of moving.\textsuperscript{88}

\textbf{Savings from the SSSC and claimant behaviour}

84. The Government expected to save around £930 million over two years from the SSSC (in present value), a projection based on multiplying the average penalty by the estimated number of affected households.\textsuperscript{89}

85. The Centre for Housing Policy and the Institute for Fiscal Studies made the point that these savings would only be realised if claimants responded to the policy by increasing hours or entering work (and thereby making up the shortfall in their Housing Benefit). If claimants responded to the policy by moving to a smaller property or taking in a lodger the full level of savings expected from the policy may not be realised.\textsuperscript{90}

86. Organisations representing housing associations pointed out that, while the welfare reforms may save central Government money, costs are being passed on to local authorities, housing associations and voluntary organisations, who are incurring extra costs through rent arrears, transitional arrangements and supporting affected tenants.\textsuperscript{91} Riverside Housing Group set out some of the extra costs to local authorities and other agencies:

- increases in DHP funding;
- the costs of fitting aids and adaptations for disabled tenants who move;
- the cost to housing associations of rent arrears, re-let times, rent collection, tenant support and loss of development capacity; and,
- costs to public services of helping tenants cope with debt, homelessness and health needs.

87. It believed that, based on this work, there was “a powerful case” for further scrutiny of the DWP’s savings estimate”.\textsuperscript{92} The Chartered Institute of Housing agreed that there was “evidence of ‘cost shunting’ between national government budgets and from national government to local authorities and voluntary organisations.”\textsuperscript{93}

\begin{itemize}
\item \cite{DWP_Impact_Assessment_Housing_Benefit_2012}
\item \cite{DWP_Quarterly_Statistical_Summary_2013}
\item \cite{DWP_Housing_Benefit_Caseload_Statistics_2013}
\item \cite{DWP_Impact_Assessment_Housing_Benefit_2012_Oral_Evidence}
\item \cite{University_of_York_Centre_for_Housing_Policy_Tests_DWP's_Impact_Assessment}
\item \cite{Scottish_Federation_of_Housing_Associations_HCT_49}
\item \cite{The_Riverside_Group_HCT_33}
\item \cite{CIH_Haringey_Council_Experiences_Effects_Benefit_Cap_Haringey}
\end{itemize}
88. We recommend that the Government produce, by March 2015, a full cost-effectiveness analysis of the SSSC policy, taking into account the funding for Discretionary Housing Payments and the additional costs incurred by local authorities and social housing providers as a result of the SSSC, to assess the overall impact of the policy on the public purse.

**The impact of the SSSC on investment in social sector housing**

89. The National Housing Federation predicted that around 17,500 fewer homes across England may be built per year as a result of the diversion of spending by housing associations. It suggested that the Government has also been providing less funding for building social sector homes because of the rise in the Housing Benefit bill (resulting from high unemployment, wage stagnation and rent rises in the private sector). It argued that social housing providers need support from Government to build more affordable homes and that increased home building would ultimately reduce the Housing Benefit bill as more claimants would then be able to rent in the social sector rather than the more expensive private sector.\(^{94}\)

90. Riverside calculated that the combined impact of the welfare reforms, including Universal Credit, could, in the worst case scenario, lead to a loss for them of £22 million over five years—an annual net loss of around £4.3 million. It calculated that this would reduce its ability to build new homes by around 500 properties.\(^{95}\)

91. We note that, as a result of the SSSC and other reforms, local authorities and housing providers are having to provide extra support to affected tenants, and are also having to invest additional resources in chasing arrears, dealing with evictions and managing re-allocations. We are concerned that this diversion of resources is having a detrimental effect on local authority and housing provider budgets and the ability of providers to build social housing. We recommend that the Government consider allocating extra funding to social housing providers in areas where the additional costs arising from the SSSC are identified as significant, to mitigate the impact and ensure that their ability to build new social housing is not compromised.

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\(^{94}\) National Housing Federation (HCT 31) paras 2.2, 3.2

\(^{95}\) The Riverside Group (HCT 33) para 2.4
4 The Benefit Cap

92. The Welfare Reform Act 2012 provided for a cap on total household benefits. The cap limits the total benefit a household can receive to £500 per week for a family and £350 per week for a single person with no children. The difference between a claimant’s total benefit and the Cap level is subtracted from Housing Benefit, or from support for housing costs under Universal Credit. The Cap was initially piloted in four London boroughs from April 2013 and was then implemented in all local authority areas in Great Britain between July and September 2013. (It is due to be implemented in spring 2014 in Northern Ireland).96

93. The Government’s stated intentions for implementing the cap are to improve working incentives for those on benefits, to deliver fiscal savings, and to ensure workless households do not receive more in benefits than the average working household. DWP estimated that by 2015 around 40,000 households would be impacted by the Benefit Cap, and that the Government will have saved £470 million (in current value).97

94. Exemptions apply to those in employment for 16 hours per week (or equivalent earnings at the minimum wage), those in receipt of certain disability benefits, and people over State Pension Age. Exemptions also apply to those living in supported housing schemes with “exempt accommodation” status; this is dealt with in detail in Chapter 5.

95. The Government plans to review the Benefit Cap’s first year of operation and publish the results this autumn.98

The impact of the Benefit Cap on affected tenants

96. As of January 2014, 38,600 households had been affected by the Cap. Those most likely to be capped were families with several children, and those who live in high rent areas or expensive accommodation (such as temporary accommodation). Almost half of all capped households, 47%, were in London. Of households subject to the Cap in January 2014: 60% contained between one and four children and 36% contained five or more children. 59% were single-parent households with children.99

97. Witnesses expressed concerns regarding the large proportion of income that affected households were losing. The average loss differed between different areas. In Newcastle, the average loss among the 56 affected households was £48pw, with six households losing in excess of £100pw (reducing their Housing Benefit to less than 50p weekly). Z2K, a London-based charity, found that tenants were losing between £5 and £500pw, with an average loss

97 DWP, Impact Assessment- Housing Benefit: Under occupation of social housing, June 2012
98 DWP (HCT92), section 7
99 DWP Benefit Cap-households capped and off flows, data to January 2014, GB February 2014
of £91pw. According to the DWP, 22% of all capped households are losing more than £100 per week as of January 2014.\textsuperscript{100}

98. The Chartered Institute of Housing, and Haringey Council, were concerned that reductions in income arising from the Cap could lead to poverty for affected claimants. They were particularly concerned about the effect the Cap could have on levels of child poverty.\textsuperscript{101} The Children’s Society provided calculations, illustrating the way in which the Cap might affect the poverty level of families in private rented housing under Universal Credit:

| Table 3: Disposable income after cap applied for out of work couple with average private rental sector rent for relevant property sizes\textsuperscript{102} |
|-------------------------------------------------|----------------|------------------------------------------------|
| Average PRS rental prices | Disposable income after cap applied | Poverty line (after housing costs deducted) |
| 1 child | £146 | £196 | £272 |
| 2 children | £175 | £261 | £367 |
| 3 children | £175 | £325 | £413 |
| 4 children | £236 | £264 | £508 |
| 5 children | £236 | £325 | £553 |
| 6 children | £236 | £264 | £649 |

\textbf{The Cap and relocation of affected tenants}

99. Witnesses told us that some tenants affected by the Benefit Cap were being made homeless as a result of accruing unmanageable levels of arrears. Yvette Burgess of the Coalition of Care and Support Providers in Scotland said that placing homeless people in the private sector had become more difficult and expensive for local authorities because the Benefit Cap had reduced the range of affordable properties. The London Borough of Brent said that it was having to look “further afield” for affordable accommodation. However, moving people out of London could cause increases in rents in other areas: according to Z2K, private sector rents were starting to go up in areas such as Enfield where inner-London based local authorities were placing people.\textsuperscript{103}

100. There is evidence that some private sector landlords have specifically been evicting or ending tenancies of people on Housing Benefit because of fears they might be affected by the Cap. The London Borough of Brent reported that evictions of private sector tenants due to the Benefit Cap were causing an increase in homelessness. Joanna Kennedy of Z2K said that currently around 18% of private sector landlords were renting to tenants on Housing Benefit, while two years ago the proportion was closer to a third. She cited a

\textsuperscript{100} Newcastle City Council \textsuperscript{(HCT 48) para 5; Zacchaeus 2000 Trust \textsuperscript{(HCT 35) para 17; DWP Benefit Cap-households capped and off flows, data to January 2014, GB February 2014, Oral evidence taken on 29 January 2014, Q375}

\textsuperscript{101} Chartered Institute of Housing, Haringey Council, \textit{Experiences and effects of the benefit cap in Haringey}, October 2013

\textsuperscript{102} The Children’s Society \textsuperscript{(HCT 80) section 2, Figure 5}

\textsuperscript{103} Oral evidence taken on \textit{18 December 2014}, Q197; Oral evidence taken on \textit{29 January 2014}, Qq398, 449
survey which found that “57% of landlords actively said that they would not take Housing Benefit tenants”.104

**The Benefit Cap, disabled people and carers**

101. Claimants of most disability benefits are exempt from the Cap (DLA/PIP, Attendance Allowance, Industrial Injuries Benefits and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme; and the Support Component of ESA).105 Carers UK was concerned that Carers Allowance was not included in the benefits which provided exemption. It explained that many carers would be protected from the Cap if they were caring for a disabled partner or child, but that those caring for a disabled adult who was not their partner (often an adult son or daughter) would not be exempt from the Cap, because carers in this position are not considered to be part of the same “household” as the disabled person, for benefit purposes.106 There are also situations where the carer may live in their own home but receive Carers Allowance for a relative living elsewhere. They might be affected by the Benefit Cap due to a high private rent and/or the number of children in their own household, but be unable to enter employment due to being a carer. Moving to a cheaper property, even if available, might be impossible due to caring responsibilities.

102. Carers UK cited Government estimates that around 5,000 carers are likely to be affected by the Cap and lose, on average, £105pw. It argued that this goes against the main rationale for the policy, of improving work incentives: carers eligible for Carers Allowance provide care of 35 hours or more per week, the equivalent of a full-time job, so would not be expected to seek work. It pointed out that, although the Government had stated that it was not the intention of the policy to push carers into work, it may have that effect. It also highlighted that the policy was intended to affect those who do not “contribute to society”, whereas carers contribute an average of £18,000pa in unpaid care. It recommended that the Government exempt carers from the Benefit Cap.107 Government figures have since been revised down and it estimates that fewer households in total will be capped and therefore, fewer than 5,000 carers.108

103. The Government recognised that the interaction between Carers Allowance and the Cap could result in “difficult cases”. However, Lord Freud’s view was that this could be addressed through transitional protection (Discretionary Housing Payments (DHPs)) for an extended period.109 When pressed on why an exemption could not be made to carers, he said:

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104 Chartered Institute of Housing ([HCT 63](HCT 63)) paras 1.8 and 1.27; Industrial Communities Alliance ([HCT 21](HCT 21)); Oral evidence taken on [06 November 2014](HCT92), Q34; Oral evidence taken on [18 December 2014](HCT92), Qq 186-189; Oral evidence taken on [29 January 2014](HCT92), Q452


106 Oral evidence taken on [15 January 2014](HCT92), Q309

107 Oral evidence taken on [15 January 2014](HCT92), Q309; Carers UK ([HCT 76](HCT 76)) para 1.2

108 DWP ([HCT92](HCT92)) section 6

109 Oral evidence taken on [12 February 2014](HCT92), Qqa 487-489
Supplemental text is not provided.

104. However, Carers UK argued that many carers were finding it difficult to access DHPs because of “insufficient guidance and funding from central Government”.  

105. Following our questions to Ministers about a possible exemption for carers, the Government provided us with its rationale for not adopting this approach. It said that, for the Cap to apply in the households we have described, “the carer will have significant levels of benefit that are nothing to do with their caring responsibilities or the needs of the disabled person”. It reiterated its view that DHPs were the most appropriate means of mitigating hardship.

106. We are concerned that the Benefit Cap is having an adverse impact on people with disabilities and their carers in cases where the carer is resident in the same household but is not considered part of the same household as the disabled person for benefit purposes. This would typically occur where a person is the carer for an adult son or daughter, or for a parent. Carers who live separately from the person for whom they receive Carers Allowance may also be adversely affected by the Cap. DWP now estimates that fewer than 5,000 carers are affected by the Cap. However, we disagree with the Government’s view that Discretionary Housing Payments are the most appropriate way of addressing these issues. DHPs cannot act as an effective long-term mitigation because they are intended to be temporary and not all carers in this situation are considered to be eligible. We recommend that the Government exempt all recipients of Carers Allowance in such circumstances from the Benefit Cap. If the number of carers affected is as low as DWP estimates, then the cost of exemption will be commensurately low.

Temporary accommodation and the Benefit Cap

107. Households which are accepted as homeless by the local authority are often placed in temporary accommodation while the LA attempts to find more permanent accommodation for them. Temporary accommodation used to house statutorily homeless families is usually more expensive than other forms of rented housing and often falls outside the definition of exempt accommodation for the purposes of the Benefit Cap. In Haringey, in August 2013, 43% of capped households lived in temporary accommodation.

108. New Charter Housing Trust explained that because “the duty to secure temporary accommodation under homelessness legislation is an absolute, there are occasions where placement in higher cost accommodation is unavoidable where no other suitable

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110 Oral evidence taken on 12 February 2014, Q493
111 Carers UK (HCT 76) para 1.2
112 DWP (HCT92) section 7
113 CIH, Haringey Council, Experiences and effects of the benefit cap in Haringey, October 2013, page 11
accommodation is available.” The negative impact of the Benefit Cap was borne by the claimants, who had no choice about living in higher cost temporary accommodation, and by local authorities who frequently had to continue to cover the extra costs because there was nowhere cheaper available.\textsuperscript{114}

109. CoSLA argued that the provision of temporary accommodation is a key element of homelessness prevention and that it is reasonable that temporary accommodation is more expensive than permanent placements because of the extra resources involved and the short-term nature of the placements. It emphasised that tenants do not have a choice about what type of temporary accommodation they are placed in and recommended that all temporary accommodation should be exempt from the Benefit Cap.\textsuperscript{115} Paul Anderson of Homeless Link told us that the increase in the number of people in temporary accommodation and B&Bs over the last few years, particularly in London, has meant that local authorities have had to spend a large portion of their own funding, including through DHPs, on filling the rent shortfalls for homeless households in temporary accommodation.\textsuperscript{116}

110. \textit{Local authorities often have no option but to use more expensive temporary accommodation to house homeless households. These households often then fall within the scope of the Benefit Cap. We recommend that the Government exempt households in temporary accommodation from the Benefit Cap because these claimants have no choice about where they are housed and few options for reducing their housing costs. Moreover, local authorities often then have to fund the difference between the capped benefit paid and the rent due, and so there is likely to be no overall saving in public funds from the inclusion of these claimants in temporary accommodation within the scope of the Cap.}

\textbf{Savings arising from the Benefit Cap}

111. DWP originally estimated that around 40,000 households would be affected by the Cap, and that the Government would save £470 million (in present value) by 2015.\textsuperscript{117} However, research by Riverside Housing Group and the University of York estimated that the Government’s savings were likely to be reduced by a third because people in temporary accommodation affected by the Cap were moving into housing in the PRS which was relatively expensive. Carol Matthews of Riverside told us that, as a result: “we are seeing that those savings, even on a moderate basis, are down by one third based on our experience over eight months.”\textsuperscript{118}

112. Gavin Smart of the Chartered Institute of Housing elaborated on the ways in which the Benefit Cap may result in savings in some budgets but cost more in others:

\textsuperscript{114} New Charter Housing Trust (HCT 06) para 4.1
\textsuperscript{115} Convention of Scottish local Authorities (HCT 53) paras 27-33
\textsuperscript{116} Oral evidence taken on 15 January 2014, Qq325-327
\textsuperscript{118} Oral evidence taken on 04 December 2013, Q88
On the face of it, the benefit cap was saving Haringey about £60,000 a week in terms of benefit expenditure. That is only about 1.2% of their total benefits bill. However, if you then look at the fact that people are receiving discretionary housing payments and the amount of time and money being invested either by the council or by their landlords in terms of support and advice services, it is clear that there was an element of cost coming in through the backdoor and/or cost shunting to other organisations. The savings are not as great as one might imagine.\textsuperscript{119}

113. We assess transitional protection measures, including DHPs, in Chapter 7.

### The Cap and incentives to work

114. As we have noted, one of the Government’s stated intentions for introducing the Benefit Cap was to “improve working incentives for those on benefits”. The Government is confident that the Cap is providing people with a “strong incentive to work”. It stated in December 2013, that around 19,000 people who were potentially affected by the Benefit Cap have moved into work. The latest official Benefit Cap statistics, published in March 2014 (covering the period to the end of January 2014), showed that just over 4,200 households who were previously capped were now exempt due to an open Working Tax Credit claim.\textsuperscript{120} However, moving into employment is only one of the reasons for ceasing to be affected by the Cap. On our visit to Luton, one of the local housing providers told us that a number of the 28 households which had been identified as potentially affected by the Cap had subsequently been found to be eligible for previously unclaimed Disability Living Allowance, which took them out of the scope of the Cap.

115. It should be noted that it is not possible from the available data to come to conclusions about the proportion of claimants who might have entered or increased work regardless of the Cap. Some witnesses did report that some affected tenants had been able to avoid the Cap by moving into work. The London Borough of Brent reported that 40% of potentially affected families with which it had contact were helped to move into work. However, several witnesses stressed that, while local councils, housing providers and support organisations were doing their best to help affected tenants to enter work, for many people work was simply not an option, because of, for example, language barriers, skills barriers, or family commitments. Z2K estimated that only around a third of those affected by the Cap were capable of work. It also referred to DWP research which showed that some of those affected by the Cap who moved into work would have done so anyway.\textsuperscript{121}

\textsuperscript{119} Oral evidence taken on 04 December 2013, Q77
\textsuperscript{121} Citizens Advice (HCT 77) para 2.7, Placeshapers (HCT 24) para 5.3, Oral evidence taken on 18 December 2014, Qq185, 201; Oral evidence taken on 29 January 2014, Q402
5 Supported accommodation

116. Supported accommodation is used to house vulnerable people and households, for example: homeless people and vulnerable households with high support needs; ex-offenders; and, women fleeing domestic violence. Exemptions from the Benefit Cap apply to tenants who live in “exempt” supported accommodation. Accommodation is exempt if it is:

- Accommodation provided by an upper-tier county council, housing association, registered charity or not-for-profit organisation where that body or a person acting on their behalf provides the claimant with care, support or supervision.
- A resettlement unit.\(^{122}\)

117. Witnesses identified that not all supported accommodation falls under the definition of supported exempt accommodation, because the definition only includes accommodation where the support is provided by or on behalf of the landlord. However, in many cases, support in this type of accommodation is commissioned on behalf of the local authority, not on behalf of the landlord. In these cases, those staying in supported accommodation would not be exempt from the Benefit Cap.\(^{123}\)

118. Centrepoint pointed out that the current definition used by DWP was drawn up in 1996 and does not reflect changes in commissioning arrangements that have occurred in the intervening years. Therefore, two people may be in supported accommodation which offers the same service (but with a different commissioning structure) and one person may be exempt while the other is not. Witnesses reported that between 30% and 46% of the supported accommodation they worked with was not exempt.\(^{124}\)

119. Women’s Aid was particularly concerned that women and children attempting to escape abusive situations may be prevented from doing so because accommodation may not be available which was exempt from the Cap. It was particularly concerned that women might have to remain in dangerous situations while waiting for suitable accommodation to become available. It recommended that all refuges be considered exempt.\(^{125}\)

120. Paul Anderson of Homeless Link pointed out that the local authority was having to cover the extra costs for those it had placed in non-exempt supported accommodation. He warned that if the situation continued unchecked, supported accommodation might become unsustainable in the long run.\(^{126}\)

\(^{122}\) NHF, Benefits for people living in supported and sheltered housing, January 2013
\(^{123}\) St. Mungos (HCT 10) para 6.3; Women’s Aid, (HCT 16) para 5
\(^{124}\) Centrepoint (HCT 12) paras 17-20, Oral evidence taken on 15 January 2014, Qq365-366
\(^{125}\) Oral evidence taken on 15 January 2014, Qq312-313
\(^{126}\) Oral evidence taken on 15 January 2014, Q367
121. Lord Freud said in a letter to stakeholders in April 2013 that the Government planned to look again at the anomalies affecting supported accommodation with a view to amending the relevant Regulations.\textsuperscript{127} In answer to questions from the Committee Chair in oral evidence to the Liaison Committee on 14 January 2014, the Prime Minister undertook to look again at the anomalies in the treatment of different types of supported accommodation.\textsuperscript{128}

122. When we questioned Lord Freud about this in this inquiry, he was able to confirm that “we will be defining supported accommodation in a broader way so that it protects more hostels and refuges”. He said that amending Regulations would be laid very shortly and implemented from April that would ensure that “virtually all” supported accommodation would be exempt.\textsuperscript{129}

123. Following speculation in March in the specialist housing press that the exemption would not in fact apply to the vast majority of supported accommodation, Lord Freud confirmed in a letter to the Chair on 10 March that the amending Regulations “will ensure that virtually all supported housing [...] will not be subject to the benefit cap”. He also clarified that exempt supported accommodation “can never be subject” to the SSSC.\textsuperscript{130}

124. We welcome the Government’s recognition that exempting only some supported accommodation from the Benefit Cap was anomalous and the action it has taken to address this by bringing forward amending legislation to ensure that “virtually all” supported accommodation will now be exempt. We expect to see the changes implemented from April 2014.

\begin{flushleft}
\textsuperscript{127} Letter to Stakeholders, National Housing Federation Website, April 2013 and written evidence submitted by Women’s Aid to the Work and Pensions Committee inquiry into support for housing costs in the reformed welfare system, Women’s Aid (HCT 16) para 6
\textsuperscript{128} Liaison Committee, Oral evidence from the Prime Minister, 14 January 2014, Qq 37-39
\textsuperscript{129} Oral evidence taken on 12 February 2014, Q602
\textsuperscript{130} Letter from the Minister for Welfare Reform to the Committee Chair, 10 March 2014 (HCT 91)
\end{flushleft}
6 Localised Council Tax support

125. Council Tax can be regarded as a “housing cost” for which benefit support is available. The form of this support was changed under the Welfare Reform Act 2012. Previously, support for Council Tax was delivered through Council Tax Benefit (CTB). This was a means-tested national scheme for which central government provided the funds and set the eligibility criteria and level, with local authorities then administering it. Under CTB, claimants could receive up to a 100% reduction of their liable amount of Council Tax.

126. In April 2013, responsibility for providing support for Council Tax passed to individual local authorities and is now known as “Council Tax Reduction”. Local authorities were responsible for designing their own local Council Tax Reduction schemes. The Government explained that: “localising support for council tax is part of a wider policy of decentralisation, giving councils increased financial autonomy and a greater stake in the economic success of their local area”.  

127. At the same time as localising Council Tax support, the Government reduced central funding by 10%. LAs were given the option of requiring claimants who previously had full entitlement to CTB to pay at least 10% of their household Council Tax. However, the Government has stipulated that eligible pensioners must continue to be offered a 100% reduction in their Council Tax.

128. The devolved administrations in both Scotland and Wales have decided to continue to provide funding for Council Tax support while allowing local authorities to administer it. Both have provided funding additional to that granted by central Government—£40 million in Scotland and £22 million in Wales—to local authorities in order to enable all eligible claimants to continue to receive a 100% reduction in their Council Tax for 2013-14. Both administrations have committed to continue funding the shortfall in 2014-15.

Changes to local Council Tax Reduction and the funding for councils

129. The London Borough of Newham was concerned about the pressures the new schemes were placing on local authority budgets. It pointed out that a 10% cut in total funding translates to a greater than 10% reduction for individual councils because they are still obliged to offer pensioners full support despite the overall cut. It cited IFS calculations that the 10% cut actually translated, on average, to a 19% cut in funding. It was concerned that the “resources allocated to deliver this policy are insufficient in terms of both programme and administration budgets” and that ongoing uncertainty over funding would make local schemes “very volatile and subject to change every year”.

131 DWP (HCT92) section 15


133 London Borough of Newham (HCT 47) para 6.1
130. The London Borough of Camden explained that it had been compelled to make some difficult choices: “If we had adopted a scheme that [absorbed] the 10% reduction in funding from central government, we would have created a permanent funding pressure of around £2.5m a year.” It opted in the first year to accept a transitional grant which allowed it to limit the minimum amount people had to pay to 8.5% of their council tax liability and is attempting to sustain this structure in the second year. However, “this has still resulted in a budget pressure for the council.”

131. Several witnesses were concerned that the discretion given to local authorities to design their own local support scheme structures was creating a “postcode lottery” for claimants. Some councils have chosen to fund or partially fund the additional costs themselves, including Hammersmith & Fulham, Kensington & Chelsea, Merton, Tower Hamlets, Wandsworth, Westminster, and Bristol Council. However, Z2K thought it a matter of great concern for claimants that many councils (for example, three-quarters of London councils) were passing on the costs and requiring claimants who were previously eligible for greater levels of Council Tax Benefit to pay between £100 and £250 a year.

132. The Minister for Housing told us that it was too soon to get a complete picture of the effectiveness of the new schemes and how local authorities were coping, but he believed that they were managing well and that the “picture looks encouraging.” The Government is committed to reviewing the financial burden on local authorities in three years’ time.

**Local Council Tax Reduction schemes and arrears**

133. Witnesses reported that many low-income households who were previously eligible for full support were having to pay some portion of Council Tax, at times up to 20%, and that this was causing hardship. Z2K cited June 2013 Council Tax figures which showed an increase of households in arrears of 45% since the same time in 2012. Many of the people who were in arrears had been issued with court summons and liability orders for non-payment. Z2K was concerned that the costs applied by local authorities to each court summons, which could be in the region of £90-120, were “entirely unnecessary and simply acts as a penalty for late payment for those who are struggling to make ends meet.” Surrey Welfare Rights Unit believed that it was highly likely that many local schemes “will provide less and less financial support unless central Government provides additional funding for those schemes.” It was concerned that “without additional support for low income families, there would be significant levels of default and court proceedings as well as declining council tax collection rates at a local level.”

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134 London Borough of Camden (HCT 61) para 3.13-3.15
135 Surrey Welfare Rights Unit (HCT 29) para 4; Zacchaeus 2000 Trust (HCT 34) para 30; Bristol City Council (HCT 72) paras 18-20; Hanover Housing Association (HCT 25) para 5.2
136 Oral evidence taken on 12 February 2014, Qq616, 619
137 Zaccheus 2000 Trust (HCT 35) paras 28-33
138 Surrey Welfare Rights Unit (HCT 29) para 4
134. Witnesses were concerned about how new Council Tax Reduction schemes would interact with work tapers under Universal Credit. The IFS pointed out that, because of the 10% funding cut, councils would need either to reduce support for those previously entitled to maximum CTB or weaken work incentives through more “aggressive” means-testing. This could lead to inconsistent work incentives for some individuals.  

139 Our 2012 report on Universal Credit implementation came to a similar conclusion: that excluding Council Tax support from Universal Credit “has the potential seriously to undermine the objectives of Universal Credit in terms of enabling claimants to see clearly the financial benefits of taking up a job or working more hours”.

141 The Public Accounts Committee also recently published a report exploring the implications for work incentives of the devolved Council Tax Reduction Schemes and their interaction with Universal Credit.

135. We are concerned that the 10% reduction in central funding for council tax support which accompanied its localisation is leading to hardship for some households and to increased expense for local authorities through loss of revenue, and costs relating to arrears collection, court action and providing support to affected claimants. The move to localise Council Tax support has also created a post-code lottery whereby in some areas residents qualify for 100% support while in other areas someone in the same circumstances has to pay as much as 20% of their Council Tax. We recommend that the Government commission research into the impact this variation in Council Tax Reduction schemes across the country is having on levels of poverty in different areas.

139 Institute for Fiscal Studies (HCT 28) para 23
140 Third Report of Session 2012-13, Universal Credit implementation: meeting the needs of vulnerable claimants, HC 576, para 206
141 Committee of Public Accounts, Forty-eighth Report of Session 2013-14, Council Tax Support, HC 943
7 Transitional protection

136. In order to mitigate the effects of the Housing Benefit reforms and smooth the transition for affected claimants, the Government provided some protections. The main element of the transitional protection is the increased funding made available for Discretionary Housing Payments (DHPs). DHPs are intended for claimants who are eligible for Housing Benefit (or the housing costs element of Universal Credit) and who require “further financial assistance with housing costs”. LAs may grant DHPs in order to cover any portion up to the total shortfall between a claimant’s eligible rent and their benefit. DHP grants vary in length and there is no requirement on LAs to pay them indefinitely once granted. They are intended to address periods of temporary need while tenants make longer term arrangements to deal with the impact of the reforms such as moving house, entering work or increasing working hours.\(^\text{142}\)

137. DHP funds existed prior to the current reforms but the Government has substantially increased funds for DHP to assist local authorities in helping tenants to cope with the current reforms. From an annual baseline of £20 million a year, funding was increased to £180 million in 2013-14 and £165 million in 2014-15. Of this, £25 million per year is ring-fenced to assist those living in significantly adapted accommodation who are affected by the social sector size criteria.\(^\text{143}\)

Local authority criteria for DHP award assessment

138. Many witnesses reported that the level of discretion allowed to local authorities in managing DHPs was creating too much variation in decision-making and leading to a “postcode lottery” whereby households with similar circumstances would receive different DHP decisions because of where they lived. Witnesses also described variation in local authorities’ priorities for DHP; for example, some LAs prioritised households in temporary accommodation over other households. Some LAs are also placing conditions on payments, such as requiring claimants to meet some of the shortfall themselves. In Scotland and Wales the devolved administrations have addressed this by providing additional funding for DHPs.\(^\text{144}\)

139. Local authorities use a means test to determine eligibility for DHP. In some cases they are taking disability benefits into account in the means test as permitted under DWP regulations.\(^\text{145}\) The Chartered Institute of Housing told us that this meant that “people who

\(^{142}\) DWP, *Discretionary Housing Payments Guidance Manual*, April 2013


\(^{144}\) House of Commons Library Standard Note, *Under-occupation of social housing: Housing Benefit entitlement*, SN/SP/6272, 24 February 2014; Welsh Government, 28 January 2014, *The Minister for Housing and Regeneration has approved the programme of additional funding of discretionary housing payments by local authorities totalling £1,026,771 this financial year*

\(^{145}\) HC Deb 28 January 2014, col 464w
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are disabled are less likely to get Discretionary Housing Payment”. Placeshapers, a housing association alliance, told us that in some areas people in receipt of disability benefits were completely unable to access DHPs. Community Housing Cymru argued that it was unfair to expect disabled people to divert funds from their disability benefits to cover shortfalls in their housing benefit. It believed that all local authorities should be mandated to disregard disability benefits when conducting assessments for DHPs. Carers UK made a similar point about the diversion of income from disability benefits.146 Several witnesses recommended that the Government provide more codification and clearer rules on how local authorities should assess claimants for DHPs, while allowing some discretion for local circumstances.147

140. The Government emphasised that DWP guidance advises LAs that “they can consider whether to disregard income from disability related benefits where they are being used to help pay for the extra costs of disability”. LAs are advised to bear in mind that DLA and PIP might be being used to meet other costs, such as for care or Motability schemes. The Government’s view is that “each case must be decided on its own merits and decision making must be consistent throughout the year”.148

141. We welcome the Government’s additional funding for Discretionary Housing Payments (DHPs) to assist the transition for claimants affected by the housing cost reforms. However, we are concerned that the discretion allowed to local authorities in granting DHPs is resulting in access to DHP funding depending heavily on where a claimant lives. We are especially concerned that some local authorities are taking income from disability benefits into account in their means tests for determining eligibility for DHP awards. Disability benefits are intended to cover the extra costs arising from a disability or long-term health condition and we therefore believe they should not be included in DHP means tests. We recommend that the Government issues revised guidance to local authorities which advises them to disregard disability benefits in means tests to assess eligibility for DHP awards.

Length of DHP award

142. DHPs are intended to offer short-term support to help affected claimants adjust to the welfare reforms, while a longer-term solution is found. Carers UK and Homeless Link both told us that some local authorities would not consider granting DHPs to people who did not have an “exit strategy” in place, such as moving house or entering work. However, other witnesses said that, in the absence of other solutions, DHPs were being granted to claimants with long-term problems who could not realistically be expected to take these steps, for example, people with disabilities living in homes adapted for them, or people in temporary accommodation. This in itself created problems: claimants with an ongoing need for DHPs were being required to make repeat applications. Hilary Fisher of Women’s

146 Oral evidence taken on 04 December 2013, Qq149, 151; Oral evidence taken on 15 January 2014, Q324; Community Housing Cymru (HCT 46) para 18
147 Oral evidence taken on 06 November 2014, Qq68-70
148 DWP (HCT92) section 3
Aid told us this was causing a lot of anxiety among the victims of domestic violence with whom she worked.\textsuperscript{149}

143. The Government recognised that there were particular issues with using DHPs to assist households with long-term problems. Lord Freud told us:

Where someone will clearly need long-term support, [re-applying] on a regular basis has no point and is stressful. [...] We put out guidance to councils to clarify that they should make much longer term DHP assessments.\textsuperscript{150}

144. This “guidance” appeared to refer to a Housing Benefit Circular issued in January 2014, announcing the details of the Government contribution and overall expenditure limit for DHP in the financial year 2014-15. This circular states that the Government’s announcement that DHP funding to address the impact of the SSSC would be maintained in 2015-16 was intended “to give LAs the confidence to make long term awards where they are appropriate.\textsuperscript{151} However in supplementary written evidence, the Government pointed out that it had issued comprehensive guidance to local authorities on administering DHPs in April 2013 which stated that “local authorities are able to make long-term or indefinite awards, with the start and end dates of an award decided by local authorities on a case by case basis.”\textsuperscript{152}

145. The Government has recognised that, in some cases, longer-term DHP grants are appropriate, including for people with disabilities or other claimants for whom there is little reasonable expectation of finding work or moving house. However, we are concerned that the Government’s guidance to local authorities is not strong or explicit enough to convey this message and that many LAs remain reluctant to grant long-term awards. We believe that responses other than DHPs should be used to support the majority of claimants facing long-term hardship arising from the reforms, preferably exemptions for disabled people and claimants in temporary accommodation, as recommended in this report. To provide reassurance for claimants who may continue to require long-term DHPs, we recommend that the Government issues new guidance to local authorities making explicit that it supports long-term DHP awards for specified categories of claimants and that frequent reapplication should not be necessary for these households. The Government will also need to take the impact of long-term awards into account when deciding on DHP funding allocations after 2015. Local authorities need clarity on DHP funding for at least a three-year period ahead. The Government should announce its decisions on future funding for DHPs at an early date, to enable local authorities to plan effectively.

\textsuperscript{149} Oral evidence taken on 15 January 2014, Qq338-342
\textsuperscript{150} Oral evidence taken on 12 February 2014, Q489
\textsuperscript{151} DWP, Housing Benefit Circular HB S1/2014, January 2014
\textsuperscript{152} DWP (HCT92) section 8; DWP, Discretionary Housing Payments Guidance Manual, April 2013
DHPs and funding levels

146. Citizens Advice concluded that the ability of DHPs to enable transition was “exaggerated, given the scale of the problem.” It pointed out that “in the current year (2013-14) the overall DHP budget is equivalent to about seven per cent of the HB cuts total”. The LGA agreed that the DHP level was insufficient, calculating that even when responses by tenants are taken into account “DHPs would cover just £1 in every £7 of the impact of housing reforms on tenants.” Z2K was concerned that the low level of funding available for DHPs meant that not everyone who needed help would be able to obtain it. It pointed out that some local authorities were having to use the bulk of their DHP funding just to help homeless households in temporary accommodation.  

147. The Government argued that the DHP fund is sufficient, citing as evidence that £11 million of the DHP pot had been returned as unspent to central Government in 2013. Lord Freud also highlighted that a further £20 million made available for an additional DHP bidding round has been “under bid”. However, witnesses put forward several reasons as to why DHP may have been under-spent in 2012-13. As noted above, these include people with disabilities not being eligible because of disability benefits being taken into account in means tests; and the unwillingness of some LAs to grant DHPs if the claimant does not have an “exit strategy” in place, for example moving house or plans for finding work. Other reasons for the under-spend were likely to be a lack of awareness of DHPs amongst potential claimants; and claimants who do not meet certain criteria being discouraged from applying. Some local authorities had also preserved their DHP pots in anticipation of the Benefit Cap being introduced in September 2013, when they could make a full assessment of need. They therefore did not have time to allocate all the extra funding in awards before the end of the financial year.  

148. The level of DHP spending in 2013-14 is unlikely to provide a true picture of need because local authorities and claimants have understandably taken time to adjust to the reforms to housing costs. The Government needs to ensure that those who cannot move house or enter work in response to the reforms are supported in the long term in a way that avoids hardship. We recommend that the Government review DHP provision when more representative data are available and increase the funding for it, if necessary, to a level which is effective in preventing hardship to vulnerable people. This will be particularly important if the exemptions to the Benefit Cap and SSSC are not extended in the way we have recommended in this report.

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153 Citizens Advice [HCT 77] para 2.3; Local Government Association [HCT 52] para 5.7.1; Zacchaeus 2000 Trust [HCT 35] para 21
154 HC Deb, 13 January 2013, col 564
155 Oral evidence taken on 12 February 2014, Q579
156 Oral evidence taken on 04 December 2013, Qq148-149; Oral evidence taken on 15 January 2014, 335, 341-2; Oral evidence taken on 29 January 2014, Qq415, 460
8 Universal Credit

149. Under Universal Credit, Housing Benefit will cease to be a separate benefit and will be incorporated into the single household Universal Credit payment. Under UC, support for housing costs will be administered centrally by DWP (rather than by local authorities) and paid directly to tenants once a month.

**Direct Payments**

150. Currently, in the social sector, Housing Benefit is paid to landlords. In the private rented sector, most tenants receive their Housing Benefit direct and pay their rent to the landlord themselves, unless other arrangements have been made because of a specific identified need. The default position under UC will be that all the benefit (including help with housing costs for both social and private sector tenants) will be paid directly to one bank account in each claimant household on a monthly basis. This policy is intended to “encourage people to manage their own budget in the same way as other [working] households” by more closely resembling the way in which people in paid work receive their income.157

151. To help ensure that vulnerable people do not accrue unmanageable levels of rent arrears the Government has made an exception from direct payments for “vulnerable claimants”, whereby alternative payment arrangements can be put in place. These include: more frequent payments; splitting payments between household members; or paying support for housing costs directly to the landlord.158

152. Many witnesses voiced concerns about tenants’ capacity to manage direct payments of housing costs.159 The Children’s Society told us that direct payments “would be a significant change for many households living in the social rented sector” and said that it was “concerned that some families with children may struggle to manage their rental payments.” It cited a study showing that 86% of social tenants believed that it was better for Housing Benefit to be paid direct to the landlord and 35% thought they would have trouble keeping up rental payments.160 StepChange Debt Charity had similar concerns.161

153. Citizens Advice and Z2K both recommended that tenants should be given the choice of opting-in to having their rent paid directly to their landlord. Citizens Advice argued that the option should, at the very least, “be available for a transitional period of no less than a year, to enable any necessary money advice and financial capability support to be put in place.” It also recommended that adequate support be put in place by both central and

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157 DWP, *Universal Credit: Welfare that Works*, Cm 7957, November 2010, para 31
159 National Housing Federation (HCT 31) para 3.3; Scottish Federation of Housing Associations (HCT 49) para 3.6; Chartered Institute of Housing (HCT 63) para 1.22
160 The Children’s Society (HCT 80) para 4iii
161 StepChange Debt Charity (HCT 73) paras 9, 16&17
local government to assist tenants with money advice to help them “transition to the new system.”162

154. The Chartered Institute of Housing was concerned that tenants and landlords were not equipped to manage the behavioural changes associated with moving to direct payments. It recognised that financial products such as budgeting and “jam jar” accounts could help tenants manage their UC more effectively, but warned that barriers to using financial products must be recognised and addressed before the system was introduced nationally.163 Riverside Housing Group emphasised that tenants must be given “appropriate tools to manage their housing payments under UC”.164

155. Circle Housing Group was concerned that the housing costs element of Universal Credit would not be clearly defined within the total benefit payment. This, it argued, would make it more difficult for tenants to have the housing costs element deducted at source, which might be an essential element in helping more vulnerable claimants to budget their benefit income.165

**Direct Payment Demonstration Projects**

156. To test the impact of direct payment to tenants in the social sector, the Government set up six Direct Payment Demonstration Projects, which have been running since the summer of 2012. The Government believes that the “evidence from the projects indicates that most people will be able to cope with managing a monthly budget and paying their rent.”166 Results from the projects in December 2013 were that successful rent collection varied from 89% to 97% across the different areas (down from 91% to 97% in May 2013). The average rent collection rate was 94%, which remained unchanged from May 2013. In May 2013, 6,168 tenants were being paid by direct payment. This fell to 4,719 by December 2013 owing to payments being switched back to landlords.167

157. The Children’s Society was concerned about this high level of switch backs which equated to 20% of claimants in the demonstration projects. Dr Sam Royston highlighted that the review had found that the projects involved “quite resource intensive interventions” which it might not be possible to replicate once UC is rolled out nationally.168

158. The Coalition of Care and Support Providers in Scotland was also concerned about the level of support that housing providers and other support organisations would need to give to tenants to help them in budgeting and paying their rent under direct payments.

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162 Citizens Advice (HCT 77) para 2.26 & 2.28; Zacchaeus 2000 Trust (HCT 35) para 6
163 Chartered Institute of Housing (HCT 63) para 1.22
164 The Riverside Group Ltd (HCT 33) paras 4.3
165 Circle Housing Group (HCT 26) para 5.1
166 DWP (HCT 08) para 9.4
167 DWP, Direct Payment Demonstration Project: Learning and Payment figures, May 2013; DWP, Direct Payment Demonstration Project: Learning and Payment figures – Payment 14, December 2013
168 Oral evidence taken on 15 January 2014, Q359
Based on Scottish experience under the demonstration projects, far more resources might be needed to help tenants under direct payments than is currently available and it was concerned that the necessary provision would not be put in place by Government. Z2K concurred with this assessment.169

159. We recommend that DWP publish the full evidence from the Direct Payment Demonstration Projects as soon as possible. This will assist landlords and local authorities across the country in drawing up necessary policies and procedures as Universal Credit is rolled out, and will allow time to consider whether further amendments to regulations are required.

The Local Support Services Framework

160. DWP has recognised that some UC claimants are likely to require advice and support with budgeting and using IT under the UC system.170 A Local Support Services Framework (LSSF), published jointly by the Local Government Association (LGA) and DWP in February 2013, set out a very broad framework for how this support might be delivered locally through partnership working between DWP, local authorities, and contracted providers, including voluntary organisations.171

161. Local authorities will be expected to continue to provide welfare and housing advice and solutions to their residents from existing local government funding. There will be new funding for additional UC-related support services. Local Delivery Partnership Agreements will set out the maximum amount the DWP is willing to fund and the minimum level of funding that local authorities could expect to receive.

162. The Government published an updated LSSF and plan for trialling different approaches in December 2013. A final version of the LSSF is expected in autumn 2014.172 Lord Freud told us that the LSSF was “almost as important as Universal Credit itself”.173

163. Dr Royston emphasised that the Government needed to make clear what level of funding would be provided to support arrangements outlined in the LSSF and when local authorities would be given access to the funding. St Mungo’s echoed this point, adding that around 3.5 million people are estimated to be likely to require support under the LSSF across a wide range of needs.174

164. There are also increased risks for landlords under UC. The Registered Landlords Association (RLA) pointed out that many private sector tenants who claimed benefit

169 Coalition of Care and Support Providers in Scotland (HCT 22) para 3.1; Zacchaeus 2000 Trust (HCT 35) para 5; Scottish Federation of Housing Associations (HCT 49) paras 6.1.1.-6.1.2.
170 Government response to the Committee’s Third Report of Session 2012-13, Universal Credit implementation: meeting the needs of vulnerable claimants, February 2013, Cm 8537, paras 23-26
171 DWP, Universal Credit, Local Support Services Framework, February 2013
172 DWP, Universal Credit, Local Support Services Update and Trialling Plan, December 2013
173 Oral evidence taken on 12 February 2014, Q630
174 Oral evidence taken on 15 January 2014, Q360
would be used to receiving it on a weekly basis. It felt that the transition from weekly to monthly payment of benefits under UC would be difficult for tenants to manage. Monthly payment would also mean that landlords would have to wait longer for payments which carries greater risk of default due to increased pressure on tenants to budget over a longer period.\textsuperscript{175}

165. The RLA did not believe it was fair for private landlords to have to carry the risks associated with the Government’s reform in terms of the way in which benefit claimants budget if it meant that landlords ended up with unmanageable levels of arrears. It also pointed out that there was not yet sufficient clarity on how advance payments for rent would work under Universal Credit. It recommended that the LSSF be designed with the issues affecting the private rented sector in mind, and that it should incorporate the private sector into local delivery partnerships effectively.\textsuperscript{176}

166. We will discuss the Local Support Services Framework in more detail in our forthcoming report on progress with Universal Credit implementation.

167. \textit{We are concerned that some Universal Credit claimants may struggle to manage direct payments of housing costs, even with the additional support that is envisaged. Local authorities may not be able to identify vulnerable people until they have incurred significant arrears, potentially leading to debt problems and evictions and financial difficulties for landlords. We acknowledge the steps the Government has taken to date to respond to this challenge through development of the Local Support Services Framework. However, we believe that a more fundamental change is needed for vulnerable claimants. We recommend that the Government allow vulnerable tenants to opt in to having their housing costs support paid direct to their landlords if this is their preference, at least for the first few years of a UC claim, as a transitional measure. We also recommend that Universal Credit claimants receive a breakdown showing the elements which make up the total UC payment, and which clearly indicates the portion of the payment which is intended to be used for housing costs.}

168. Housing Benefit as it currently operates is complex to administer. Incorporating support for housing costs into Universal Credit may address some of the complexities, but it may have unintended adverse consequences. We have just begun a new inquiry into fraud and error in the benefit system. This has highlighted that Housing Benefit is subject to a number of specific fraud and error risks and that the monetary value of overpayments of Housing Benefits is twice that of any other benefit. Early evidence has indicated that incorporating housing costs into Universal Credit may heighten the risks of fraud and error because of the apparent lack of data-sharing and cross-checking of property details, which exist in the current HB system, but which have not yet been built into the UC system. Local knowledge about their housing sectors which LAs currently bring to HB administration could also be lost. We will pursue these concerns further in our fraud and error inquiry.

\textsuperscript{175} Residential Landlords Association (HCT 55) paras 4.1.2.-4.2.1, 4.3.2.

\textsuperscript{176} Residential Landlords Association (HCT 55) paras 4.1.2.-4.2.1,4.5.1-4.6.1
Work allowances under Universal Credit

169. Under the work incentives system within Universal Credit, benefit will be tapered on the basis of “work allowances” (previously termed “disregards”) which will differ depending on whether households have eligible housing costs. This work allowance will govern how much income from paid employment the claimant can receive before their UC payment is reduced.

170. The initial proposals for UC set out a maximum allowance for those claiming no support for housing costs; for those claiming support for housing costs, this maximum would be reduced by 1.5 times the support for housing costs claimed, down to a set minimum level. Under these proposals claimants would always have been better off if they claimed support for eligible housing costs.

171. DWP has since revised work allowances. There will be a maximum work allowance for those claiming no support for housing costs, and a minimum allowance for those claiming support for housing costs. The Children’s Society was concerned that this would mean that some households would be better off not claiming support for housing, even where they had eligible costs. Dr Royston argued that:

Most parents are not going to be aware of this and will just get a lower level of support as a result. It would be much simpler, although it looks like a more complex system, for the DWP to go back to their original proposal to make sure that people have a guaranteed safety net, so that, if they claim support with housing costs, they will be better off regardless.177

172. The revised system of work allowances (disregards) under Universal Credit appears simpler than the original proposals. However, it risks creating an anomaly which would mean that some claimants who are in work and have eligible housing costs would receive more benefit if they did not claim the support for housing costs which they are entitled to. Many claimants may not be aware of this anomaly and so may end up receiving less than their full entitlement of Universal Credit. We recommend that the Government revisit work allowances under Universal Credit and take steps to address this anomaly.

177 Oral evidence taken on 15 January 2014, Q371
List of conclusions and recommendations

In this List, conclusions are set out in plain type, and recommendations, to which the Government is required to respond, are set out in italic type.

1. A number of the reforms discussed in this report were implemented in 2013 and so only an initial assessment of their impact can be made at this stage. Even with the LHA reforms, some of which began in 2011, phased implementation and transitional protection offered to existing claimants mean that evidence of the full effect is only now becoming available. Some of our recommendations therefore focus on the need for the Government itself to monitor carefully the impact of the changes it has introduced and to take urgent remedial action where necessary to assist the hardest hit claimants, particularly given that a number of them will be affected by other welfare reforms, including reforms to disability and incapacity benefits. (Paragraph 8)

Local Housing Allowance reforms

2. We welcome the Government’s efforts to encourage private sector landlords to keep rents affordable and thereby help to keep LHA expenditure under control. However, we are concerned that, for some recipients of Housing Benefit, rents are becoming increasingly less affordable in the private sector. We recommend that the Government monitor the private sector rental market and that, if it finds evidence of a rise in homelessness and evictions and a decline in new letting to tenants in receipt of Housing Benefit, it should consider increasing LHA rates by more than 1% annually in the more pressured areas. (Paragraph 27)

3. We are concerned that landlords are increasingly reluctant to let to tenants in receipt of Housing Benefit and to provide temporary accommodation, and that many of the private rental sector properties that do remain affordable to Housing Benefit recipients are of poor quality. We recommend that the Government work closely with private sector landlords to address their concerns and provide greater support to landlords who rent to Housing Benefit claimants. (Paragraph 28)

Homelessness

4. There is evidence that Housing Benefit reforms are contributing to increased levels of homelessness with corresponding serious implications for households and for local authorities. We note the Government’s assertion that homelessness acceptances overall have decreased in England but we are concerned that rises are occurring in certain high-demand areas, such as London, and that homelessness among those not in priority need increased by 9% between 2012 and 2013. We recommend that the Government take steps to monitor the impact on homelessness of the Housing Benefit reforms it has introduced. If they are found to be exacerbating homelessness, the Government must look at further ways of supporting people and local authorities to prevent and deal with homelessness. (Paragraph 36)
Shared Accommodation Rate

5. We are concerned that the extension of the Shared Accommodation Rate (SAR) to single claimants up to age 35 may have reduced the availability of safe, appropriate accommodation for younger people, some of whom may be vulnerable. We recommend that the Government assess the impact of changes to the SAR. If it appears that it is resulting in some vulnerable young people having to live in situations which are inappropriate or which put them at risk, the Government should investigate introducing exemptions for vulnerable people, and take steps to increase provision of appropriate accommodation. (Paragraph 43)

Targeted Affordability Fund

6. We welcome the introduction of the Targeted Affordability Fund (TAF) as a means of increasing LHA levels in areas of higher than average rent rises. However, we are concerned that some areas may see rents rising by more than the TAF maximum of 4% yearly, particularly in London. We recommend that the Government amend the TAF so that it can be paid at higher levels in areas where rent increases are greater than 4%, and that it should use available rents rather than stock rents as a measure of the rental increase. (Paragraph 47)

The Social Sector Size Criteria (SSSC)

7. We understand the Government’s wish to use social housing stock more efficiently and to reduce overcrowding. However, the SSSC so far seems to be a blunt instrument for achieving this. In many areas there is insufficient smaller social housing stock to which affected tenants can move, meaning that they remain in housing deemed to be too large and pay the SSSC. This is likely to be causing financial hardship to a significant number of households. We recommend that the Government carries out a detailed assessment of the available social housing stock in each local authority area. If there is clear evidence that there is insufficient smaller housing stock and that those who are willing to move cannot do so, the Government should consider allowing affected households more time to find ways of adjusting to the SSSC before the reduction in benefit is applied. Where a household is under-occupying but there is no suitable, reasonable alternative available, the SSSC reduction in benefit should not be applied. (Paragraph 64)

8. To support the policy intent of better and more innovative use of social housing stock, and as a further measure to ease the burden on affected tenants and providers, we recommend that the Government allocate funding to a national scheme in which all providers of social housing can share information about their available housing stock; the stock needed by tenants on housing waiting lists; and those households interested in mutual exchange. (Paragraph 65)

9. We are concerned that the number of bed-spaces per bedroom is not taken into account when assessing whether people are considered to be “under-occupying” within the regulations governing the SSSC policy and that, therefore, in some cases, two children are being expected to share a room that was designed for one child. We recommend that the Government use the Department for Communities and Local
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Government standard of bed-spaces rather than the number of bedrooms in order to determine whether a household is under-occupying under the SSSC. (Paragraph 69)

**Impact on claimants with disabilities**

10. We note that the SSSC is affecting many people with disabilities who have adapted homes or who need a spare room to hold medical equipment or to accommodate a carer. We are deeply concerned that the policy is causing severe financial hardship and distress to people with disabilities, many of whom will not easily be able to move. We do not believe that Discretionary Housing Payments are able to provide effective support to these households because of their short-term and temporary nature, the variability in award and the distress that having to re-apply can cause to affected households. We recommend that disabled people living in a home that has been significantly adapted for them should be exempt from the SSSC. We also recommend that the Government exempt from the SSSC households which contain a person who is in receipt of the higher level mobility or care component of Disability Living Allowance (DLA) and the equivalent in Personal Independence Payment (PIP). (Paragraph 77)

11. If the Government is unwilling to use DLA and PIP entitlement to establish a right to an exemption from SSSC for disabled people, then we recommend that it extend to adults the exemption already applicable to households containing disabled children who are unable to share a room because of their severe disabilities, as assessed by local authorities. This exemption should include those whose disability means that a room is required for medical equipment, or for a carer, including a partner who is also a carer, and part-time carers. (Paragraph 78)

**Cost-effectiveness analysis**

12. We recommend that the Government produce, by March 2015, a full cost-effectiveness analysis of the SSSC policy, taking into account the funding for Discretionary Housing Payments and the additional costs incurred by local authorities and social housing providers as a result of the SSSC, to assess the overall impact of the policy on the public purse. (Paragraph 88)

**Impact on investment in social sector housing**

13. We note that, as a result of the SSSC and other reforms, local authorities and housing providers are having to provide extra support to affected tenants, and are also having to invest additional resources in chasing arrears, dealing with evictions and managing re-allocations. We are concerned that this diversion of resources is having a detrimental effect on local authority and housing provider budgets and the ability of providers to build social housing. We recommend that the Government consider allocating extra funding to social housing providers in areas where the additional costs arising from the SSSC are identified as significant, to mitigate the impact and ensure that their ability to build new social housing is not compromised (Paragraph 91)
The Benefit Cap

14. We are concerned that the Benefit Cap is having an adverse impact on people with disabilities and their carers in cases where the carer is resident in the same household but is not considered part of the same household as the disabled person for benefit purposes. This would typically occur where a person is the carer for an adult son or daughter, or for a parent. Carers who live separately from the person for whom they receive Carers Allowance may also be adversely affected by the Cap. DWP now estimates that fewer than 5,000 carers are affected by the Cap. However, we disagree with the Government’s view that Discretionary Housing Payments are the most appropriate way of addressing these issues. DHPs cannot act as an effective long-term mitigation because they are intended to be temporary and not all carers in this situation are considered to be eligible. We recommend that the Government exempt all recipients of Carers Allowance in such circumstances from the Benefit Cap. If the number of carers affected is as low as DWP estimates, then the cost of exemption will be commensurately low. (Paragraph 106)

15. Local authorities often have no option but to use more expensive temporary accommodation to house homeless households. These households often then fall within the scope of the Benefit Cap. We recommend that the Government exempt households in temporary accommodation from the Benefit Cap because these claimants have no choice about where they are housed and few options for reducing their housing costs. Moreover, local authorities often then have to fund the difference between the capped benefit paid and the rent due, and so there is likely to be no overall saving in public funds from the inclusion of these claimants in temporary accommodation within the scope of the Cap. (Paragraph 110)

Supported accommodation

16. We welcome the Government’s recognition that exempting only some supported accommodation from the Benefit Cap was anomalous and the action it has taken to address this by bringing forward amending legislation to ensure that “virtually all” supported accommodation will now be exempt. We expect to see the changes implemented from April 2014. (Paragraph 124)

Localised Council Tax support

17. We are concerned that the 10% reduction in central funding for council tax support which accompanied its localisation is leading to hardship for some households and to increased expense for local authorities through loss of revenue, and costs relating to arrears collection, court action and providing support to affected claimants. The move to localise Council Tax support has also created a post-code lottery whereby in some areas residents qualify for 100% support while in other areas someone in the same circumstances has to pay as much as 20% of their Council Tax. We recommend that the Government commission research into the impact this variation in Council Tax Reduction schemes across the country is having on levels of poverty in different areas. (Paragraph 135)
Transitional protection

18. We welcome the Government’s additional funding for Discretionary Housing Payments (DHPs) to assist the transition for claimants affected by the housing cost reforms. However, we are concerned that the discretion allowed to local authorities in granting DHPs is resulting in access to DHP funding depending heavily on where a claimant lives. We are especially concerned that some local authorities are taking income from disability benefits into account in their means tests for determining eligibility for DHP awards. Disability benefits are intended to cover the extra costs arising from a disability or long-term health condition and we therefore believe they should not be included in DHP means tests. We recommend that the Government issues revised guidance to local authorities which advises them to disregard disability benefits in means tests to assess eligibility for DHP awards. (Paragraph 141)

19. The Government has recognised that, in some cases, longer-term DHP grants are appropriate, including for people with disabilities or other claimants for whom there is little reasonable expectation of finding work or moving house. However, we are concerned that the Government’s guidance to local authorities is not strong or explicit enough to convey this message and that many LAs remain reluctant to grant long-term awards. We believe that responses other than DHPs should be used to support the majority of claimants facing long-term hardship arising from the reforms, preferably exemptions for disabled people and claimants in temporary accommodation, as recommended in this report. To provide reassurance for claimants who may continue to require long-term DHPs, we recommend that the Government issues new guidance to local authorities making explicit that it supports long-term DHP awards for specified categories of claimants and that frequent reapplication should not be necessary for these households. The Government will also need to take the impact of long-term awards into account when deciding on DHP funding allocations after 2015. Local authorities need clarity on DHP funding for at least a three-year period ahead. The Government should announce its decisions on future funding for DHPs at an early date, to enable local authorities to plan effectively. (Paragraph 145)

20. The level of DHP spending in 2013-14 is unlikely to provide a true picture of need because local authorities and claimants have understandably taken time to adjust to the reforms to housing costs. The Government needs to ensure that those who cannot move house or enter work in response to the reforms are supported in the long term in a way that avoids hardship. We recommend that the Government review DHP provision when more representative data are available and increase the funding for it, if necessary, to a level which is effective in preventing hardship to vulnerable people. This will be particularly important if the exemptions to the Benefit Cap and SSSC are not extended in the way we have recommended in this report. (Paragraph 148)
Universal credit

21. We recommend that DWP publish the full evidence from the Direct Payment Demonstration Projects as soon as possible. This will assist landlords and local authorities across the country in drawing up necessary policies and procedures as Universal Credit is rolled out, and will allow time to consider whether further amendments to regulations are required. (Paragraph 159)

22. We are concerned that some Universal Credit claimants may struggle to manage direct payments of housing costs, even with the additional support that is envisaged. Local authorities may not be able to identify vulnerable people until they have incurred significant arrears, potentially leading to debt problems and evictions and financial difficulties for landlords. We acknowledge the steps the Government has taken to date to respond to this challenge through development of the Local Support Services Framework. However, we believe that a more fundamental change is needed for vulnerable claimants. We recommend that the Government allow vulnerable tenants to opt in to having their housing costs support paid direct to their landlords if this is their preference, at least for the first few years of a UC claim, as a transitional measure. We also recommend that Universal Credit claimants receive a breakdown showing the elements which make up the total UC payment, and which clearly indicates the portion of the payment which is intended to be used for housing costs. (Paragraph 167)

23. The revised system of work allowances (disregards) under Universal Credit appears simpler than the original proposals. However, it risks creating an anomaly which would mean that some claimants who are in work and have eligible housing costs would receive more benefit if they did not claim the support for housing costs which they are entitled to. Many claimants may not be aware of this anomaly and so may end up receiving less than their full entitlement of Universal Credit. We recommend that the Government revisit work allowances under Universal Credit and take steps to address this anomaly. (Paragraph 173)
Formal Minutes

Wednesday 26 March 2014

Members present:

Dame Anne Begg, in the Chair

Graham Evans
Sheila Gilmore
Glenda Jackson
Nigel Mills
Teresa Pearce
Mr Michael Thornton
Dame Angela Watkinson

Draft Report (Support for housing costs in the reformed welfare system), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 63 read and agreed to.

Paragraph—(Sheila Gilmore)—brought up and read, as follows:

“We received substantial evidence of hardship caused to households, and additional costs incurred by landlords and local authorities as a result of the Social Sector Size Criteria (SSSC). Spending on Discretionary Housing Payments looks set to continue for years and reduces potential savings. There was little evidence that the policy is effective in addressing overcrowding, not least due to the geographical imbalance of supply and demand. Accordingly we recommend that the SSSC be scrapped.”

Question put, That the paragraph be read a second time.

The Committee divided:

Ayes, 3
Sheila Gilmore
Glenda Jackson
Teresa Pearce

Noes, 4
Graham Evans
Nigel Mills
Mr Michael Thornton
Dame Angela Watkinson

Question accordingly negatived.

Paragraphs 64 to 172 read and agreed to.

Summary agreed to.

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

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for publishing with the Report (in addition to that ordered to be reported for publishing on 9 October and 6 November 2013).

[Adjourned till Monday 31 March at 4.15 pm.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/workpencom.

**Wednesday 6 November 2013**

Professor Suzanne Fitzpatrick, School of the Built Environment, Heriot-Watt University, Robert Joyce, Senior Research Economist, Institute for Fiscal Studies, and Professor Steve Wilcox, Centre for Housing Policy, University of York

**Wednesday 4 December 2013**

Gavin Smart, Director of Policy and Practice, Chartered Institute of Housing, Duncan Forbes, Chief Executive of Bron Afon Community Housing, Community Housing Cymru, Danny Hardie, Welfare Benefits Adviser, Peabody Trust Housing Association, Aileen Evans, Managing Director, Grand Union Housing Group, Placeshapers, Carol Matthews, Group Chief Executive, Riverside, and David Ogilvie, Policy Manager, Scottish Federation of Housing Associations

**Wednesday 18 December 2013**

Steve Fothergill, Director, Industrial Communities Alliance, Councillor Sharon Taylor, Chair, Local Government Association Finance Panel, Local Government Association, Councillor Joyce McCarty, Deputy Leader, Newcastle City Council, and Laurence Coaker, Head, Housing Needs, West London Housing Partnership; Jennifer Barnes, Policy and Research Manager, Centrepoint, Carolyn Uphill, Chairman, National Landlords Association, and Chris Town, Vice Chairman, Residential Landlords Association

**Wednesday 15 January 2014**

Steve McIntosh, Policy and Public Affairs Manager, Carers UK, Dr Sam Royston, Poverty and Early Years Policy Adviser, Children’s Society, Paul Anderson, Policy Manager, Homeless Link, Anna Page, Policy, Public Affairs and Research Manager, St Mungo’s, Andrew Fraser, Director, Public Health Science, Scottish Public Health Network and NHS Scotland, and Hilary Fisher, Director of Policy, Voice and Membership, Women’s Aid

**Wednesday 29 January 2014**

Geoff Fimister, Policy Researcher, Citizens Advice, Yvette Burgess, Unit Director, Housing Support Enabling Unit, Coalition of Care and Support Providers in Scotland, Peter Tutton, Head of Policy, StepChange, Maria Zealey, Unit Manager, Surrey Welfare Rights Unit, and Joanna Kennedy, Chief Executive, Zaccheus 2000 Trust
Wednesday 12 February 2014

Lord Freud, Minister for Welfare Reform and Andrew Parfitt, Deputy Director for Housing Policy, Department for Work and Pensions, Kris Hopkins MP, Minister for Housing and Jennifer Ashby, Deputy Director of Welfare Reform, Department for Communities and Local Government

Q473-635
Published written evidence

The following written evidence was received and can be viewed on the Committee’s inquiry web page at www.parliament.uk/workpencom. HCT numbers are generated by the evidence processing system and so may not be complete.

1. Peabody Trust (HCT 01)
2. Ian Davies (HCT 02)
3. East Kent Housing (HCT 03)
4. Linkage Community Trust (HCT 05)
5. New Charter Housing Trust (HCT 06)
6. Greystones (HCT 07)
7. Department for Work and Pensions (HCT 08)
8. Scottish Public Health Network and NHS Health Scotland (HCT 09)
9. St Mungo’s (HCT 10)
10. Renfrewshire Council (HCT 11)
11. Centrepoint (HCT 12)
12. The Salvation Army (HCT 13)
13. Homeless Link (HCT 14)
14. NHS England (HCT 15)
15. Women’s Aid (HCT 16)
16. Shelter (HCT 17)
17. Habinteg (HCT 18)
18. Home Group (HCT 19)
19. Caerphilly County Borough Council (HCT 20)
20. Industrial Communities Alliance (HCT 21)
21. Housing Support Enabling Unit (HCT 22)
22. Affinity Sutton (HCT 23)
23. Placeshapers (HCT 24)
24. Hanover Housing Association (HCT 25)
25. Circle Housing Group (HCT 26)
26. Gentoo Group (HCT 27)
27. Institute for Fiscal Studies (HCT 28)
28. Institute of Revenues, Rating and Valuation (HCT 29)
29. Surrey Welfare Rights Unit (HCT 30)
30. National Housing Federation (HCT 31)
31. Link Group Ltd (HCT 32)
32. The Riverside Group Ltd (HCT 33)
33. East 7 (HCT 34)
34. Zacchaeus 2000 Trust (HCT 35)
35. Gipsil (HCT 37)
36. West London Housing Partnership (HCT 38)
37. YMCA England (HCT 39)
38. Dimensions (HCT 40)
39. Rob Gershon (HCT 41)
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List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee’s website at www.parliament.uk/workpencom

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

Session 2013–2014

First Report  Can the Work Programme work for all user groups?  HC 162 (HC 627)
Second Report  The role of Jobcentre Plus in the reformed welfare system  HC 479

Session 2012–2013

First Report  Appointment of the Chair of the Social Security Advisory Committee  HC 297
Second Report  Youth Unemployment and the Youth Contract  HC 151 (HC 844)
Third Report  Universal Credit implementation: meeting the needs of vulnerable claimants  HC 576 (Cm 8537)
Fourth Report  Lifting the restrictions on NEST  HC 950
Fifth Report  The Single-tier State Pension: Part 1 of the draft Pensions Bill  HC 1000 (Cm 8620)
Sixth Report  Improving governance and best practice in workplace pensions  HC 768 (HC 485)

Session 2010–2012

First Report  Youth Unemployment and the Future Jobs Fund  HC 472 (HC 844)
Second Report  Changes to Housing Benefit announced in the June 2010 Budget  HC 469 (HC 845)
Third Report  Appointment of the Chair of the Social Security Advisory Committee  HC 904
Fourth Report  Work Programme: providers and contracting arrangements  HC 718 (HC 1438)
Fifth Report  The Government’s proposed child maintenance reforms  HC 1047 (HC 1727)
Sixth Report  The role of incapacity benefit reassessment in helping claimants into employment  HC 1015 (HC 1641)
Seventh Report  Government support towards the additional living cost of working-age disabled people  HC 1493  (HC (12–13)105)
Eighth Report  Automatic enrolment in workplace pensions and the National Employment Savings Trust  HC 1494  (HC (12–13)154)