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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Managing the Impact of Welfare Reform Changes On Social Housing Tenants in Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



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with the Public Audit (Wales) Act 2004.

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# Contents

	Summary	7
	Recommendations	13
1	The changes being made to the Housing Benefit system as part of welfare reform will affect a greater proportion of social housing tenants in Wales than in England or Scotland, and there is increasing poverty, debt and exclusion amongst some social-housing tenants which coincide with these changes	15
	The DWP estimates that the removal of the spare-room subsidy will secure £490 million of savings in Housing Benefit in Great Britain in 2013-14 of which £26 million will be achieved in Wales, but the true savings figure cannot be forecast accurately	18
	Whilst the administration of welfare benefits is not devolved, the outcome of the changes affects many public services in Wales and the Welsh Government has provided funding to help address the impact	20
	Since 1 April 2013, a greater proportion of tenants of social housing in Wales have seen their Housing Benefit reduced because of the removal of the spare-room subsidy than in England or Scotland	21
	There is increasing poverty amongst some social-housing tenants, which coincides with changes to their Housing Benefits	23
	Many tenants are digitally excluded and are unable to access important online services	26
	Housing Benefit and personal-debt issues account for a significant proportion of requests for advice but there has been a significant reduction in the availability of independent housing-advice services in Wales	27

2	<b>Councils' plans and arrangements to help social-housing tenants cope with the impact of welfare-reform changes are inconsistent</b>	30
	All councils have plans to address the impact of welfare reform but some councils' actions to mitigate the impact of welfare reform are not comprehensive	31
	Councils are jointly working with other agencies to address the needs of tenants in their area, but the effectiveness of partnership working across Wales varies	32
	Training and information sharing between agencies is taking place but the success of this work varies	33
	Governance and accountability arrangements for responding to welfare reform in councils vary widely and there is inconsistency in how councils are monitoring and evaluating delivery of their plans	34
	Key data to measure the impact of the welfare reforms is not currently collected	36
	All councils have identified welfare reform as a significant risk but the approaches taken to mitigate this risk are not always comprehensive	37
3	<b>Councils and housing associations are having little effect in their efforts to help tenants mitigate the impact of the removal of the spare-room subsidy</b>	39
	The number of households which are liable to pay increased rent because of the removal of the spare-room subsidy has fallen by 14 per cent in 2013-14 but the numbers assisted are expected by councils and housing associations to decline in the future	40
	Most landlords have communicated effectively with their tenants on the changes to their benefits and have developed detailed profiles to plan how they deliver their services	41
	Most landlords have revised their allocation scheme to give tenants affected by the removal of the spare-room subsidy priority to transfer and whilst 14 per cent of affected tenants have moved in the last year, the majority have not registered to transfer	44
	There has been limited use of the private-rented sector by councils and housing associations to improve tenure mobility as a result of changes to Housing Benefits and a majority of tenants affected by the removal of the spare-room subsidy do not want to move to the private-rented sector	47

	Most councils and housing associations are not actively promoting lodging schemes and there is very little support from tenants to take in lodgers	49
	There is increased demand for smaller homes to meet the needs of tenants affected by the removal of the spare-room subsidy but there has been little increase in the supply and availability of smaller housing and changes to existing accommodation have been limited	50
	There is a mixed picture of how councils and housing associations are supporting tenants affected by the removal of the spare-room subsidy into full-time employment	53
	Discretionary Housing Payments from the Department of Work and Pensions and the Welsh Government increased by £5.1 million in 2013-14 but the allocation, distribution, administration and use of these payments have significant inconsistencies and weaknesses	54
4	<b>Councils and housing associations report having to increase expenditure to deal with some of the impacts of welfare reform and future changes will significantly increase the risks they face</b>	61
	Social-housing landlords tell us that managing empty homes and collecting rent requires greater investment in resources	62
	Rent arrears of current social-housing tenants increased by £5.3 million and the number of tenants in arrears by 23.3 per cent between April and October 2013	64
	There has been no increase in homelessness acceptances but 50 per cent of councils report that demand for temporary accommodation is increasing and 41 per cent that some homeless people are waiting longer in temporary accommodation to be rehoused	65
	The planned roll out of Universal Credit and direct payment of benefits to tenants will increase the risks that councils and housing associations have to address	66
	<b>Appendices</b>	
	Appendix 1 – Methodology	70

# Summary Report



# Summary

The changes to Housing Benefit introduced by the welfare-reform programme are having a significant impact on Welsh councils and housing associations, and they are struggling to deliver effective and sustainable solutions to address the challenges they face

- 1 The Welfare Reform Act 2012 heralds a significant change to the administration and distribution of benefits and will have a major impact on many citizens. In April 2011, the UK Government embarked on a programme of reform, which will culminate with the phased introduction of Universal Credit between October 2013 and 2017. A major focus of the UK Government's plans are changes to Housing Benefit, which are aimed at reducing annual expenditure by around £2.3 billion. These changes will mean that millions of households in Great Britain<sup>1</sup> will receive less in benefits, creating hard choices for them about how they use their money and manage financially on a day-to-day basis.
- 2 In recent years, the numbers claiming Housing Benefit in Great Britain have increased significantly, rising from 4.1 million households in November 2008 to just over 5 million in February 2014<sup>2</sup>. The number of tenants in social-rented accommodation<sup>3</sup> and claiming Housing Benefit in Great Britain has risen by over six per cent from 3.1 million in February 2009 to 3.3 million in February 2014. In Wales, the number increased by around five per cent from 156,388 in February 2009 to 164,376 in February 2014.
- 3 Historically, Housing Benefit claimants living in the social-rented sector have had few restrictions placed on the size of accommodation that they occupy, and the amount of Housing Benefit to which they are entitled. This is now changing because of the Welfare Reform Act 2012 and other policy directives. These policies are intended to reduce Housing Benefit expenditure for social-housing tenants by limiting the amount of Housing Benefit that will be paid out, and may consequently have a major impact on the lives of many families.
- 4 The key changes introduced by the Welfare Reform Act 2012, in summary, are as follows:
  - a Size criteria for the social-rented sector – limiting Housing Benefit payments (and later the housing-cost element of Universal Credit) for households with working-age adults<sup>4</sup> and who underoccupy their home. This is most commonly referred to as the removal of the spare-room subsidy<sup>5</sup>;

1 The Welfare Reform Bill encompasses all of the UK, but Northern Ireland has the ability to make funding decisions on social security, and the Northern Ireland Executive has agreed a different approach to the implementation of the Act than in England, Scotland and Wales.

2 Department for Works and Pensions, **Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE)**, via Stat-Xplore, February 2014.

3 Social rented housing is let at low rents on a secure basis to those who are most in need or struggling with their housing costs. Normally councils and not-for-profit organisations (such as housing associations) are the ones to provide social-rented housing.

4 Working-age adults is the term used to capture the total population in a region, within a set range of ages, which is considered to be able and likely to work. The working-age population measure is used to give an estimate of the total number of potential workers within an economy.

5 There are a number of terms used to describe the Housing Benefit size criteria and these include: 'removal of spare room subsidy'; 'bedroom tax'; 'underoccupancy charge'; 'size limit'; and 'bedroom limit'. In our report, we use the phrase spare-room subsidy.

- b The household benefit-cap – imposing a limit to benefit claims for out-of-work, working-age households.
  - c Universal Credit – introducing a single monthly integrated benefit for working-age households, both in and out of work, paid direct to claimants.
  - d Changes and cuts to support for Council Tax, devolving power to local authorities to design and administer this benefit.
- 5 In addition, there are two other reforms to welfare, recently implemented. The amount of reduction in Housing Benefit for tenants whose household includes adult members other than their partner (non-dependants) has been increased; and benefits for sick and disabled people have been reformed with the introduction of Employment Support Allowance which replaces Incapacity Benefit.
- 6 The options available to social-rented tenants in response to these changes include:
- a finding a job that pays more than the amount of benefits received;
  - b reducing non-rent expenditure wherever possible;
  - c applying for a Discretionary Housing Payment – although the amount available locally is capped; or
  - d moving to cheaper accommodation if available.
- 7 Eleven of the 22 councils in Wales still maintain a direct social-housing landlord function, with the 34 largest housing associations providing the remainder of social housing. Given that the bulk of council-housing and housing-association income comes from rent, much of which, in turn, is dependent on Housing Benefit, these changes are having a significant impact on social landlords, their residents and those applying for social housing. Dealing with the impact of the Welfare Reform Act is essential for councils if they are to deliver their statutory responsibilities and respond to the needs and demands of citizens.
- 8 This report was prepared by staff of the Wales Audit Office on behalf of the Auditor General. Our methods are set out in [Appendix 1](#). These methods included an online survey for members of the public to tell us about their experiences of welfare reform, and audit fieldwork at a sample of councils and housing associations in Wales, supplemented by surveys, to assess how well they are addressing the impact of welfare reform.
- 9 Based on the findings of this audit, the Auditor General has concluded that **the changes to Housing Benefit introduced by the welfare-reform programme are having a significant impact on Welsh councils and housing associations, and they are struggling to deliver effective and sustainable solutions to address the challenges they face.**

**The changes being made to the Housing Benefit system as part of welfare reform will affect a greater proportion of social-housing tenants in Wales than in England or Scotland, and there is increasing poverty, debt and exclusion amongst some social-housing tenants which coincide with these changes**

- 10 The Department for Work and Pensions (DWP) estimates that £1 billion will be saved on reductions in Housing Benefit in England, Scotland and Wales in 2013-14 and 2014-15. Data suggests Wales will see roughly £26 million saved on Housing Benefit annually. However, because it is difficult to foresee how tenants will respond to these changes, it is not possible to forecast accurately the actual level of savings. Indeed, in some circumstances, there could be an increase in the level of Housing Benefit expenditure.
- 11 The removal of the spare-room subsidy and introduction of the benefit cap will hit social tenants in Wales hard. A greater proportion of tenants in social housing in Wales (20.4 per cent) have seen their Housing Benefit reduced because of the removal of the spare-room subsidy than in either Scotland (19 per cent) or England (15.3 per cent).
- 12 Whilst the administration of welfare benefits is not devolved, the change affects many public services in Wales and the Welsh Government has provided funding to help address the impact. The Welsh Government has determined that it will not carry the financial burden of these changes directly and will seek to absorb costs, and recognises that many of the welfare-reform changes will affect devolved services, and the impact of these welfare changes is likely to be wide-ranging.
- 13 With the increasing cost of food, utilities, fuel, and a reduction in benefits, many social-housing tenants in Wales now face increasing challenges to make ends meet. We found that just over 50 per cent of social-housing tenants who responded to our survey have seen their debt increase because of the removal of the spare-room subsidy and introduction of the benefit cap, and there is rising poverty amongst social-housing tenants.
- 14 We found that the use of food banks is increasing in Wales, and issues around income and benefits account for 48 per cent of referrals for assistance made by agencies working with social-housing tenants to the 35 food banks in Wales. Internet access for many social-housing tenants in Wales is poor, with 39 per cent of tenants surveyed saying they have no access to a PC. This suggests that many social-housing tenants are unable to readily access important online services such as utilities, benefits and advice services.

- 15 Housing, benefit and debt issues account for a significant proportion of requests for independent specialist advice. In 2013-14, Citizens Advice Cymru staff dealt with 47,133 clients with over 141,500 welfare-benefits-related problems including Housing Benefits. There has been a significant reduction in the availability of independent housing advice services in Wales with a reduction in funding for independent advice services in 2013-14.

### Councils' plans and arrangements to help social-housing tenants cope with the impact of welfare-reform changes are inconsistent

- 16 All councils have plans to address the impact of welfare reform although some councils' actions to mitigate the impact are not comprehensive. The governance and accountability arrangements within councils for responding to welfare reform vary widely, and it is not always clear how effective they have been in mitigating the significant risks they face. There is significant inconsistency in how councils are monitoring and evaluating delivery of their plans. All councils have identified welfare reform as a significant risk but the approaches taken to mitigate this risk are not always comprehensive.
- 17 Councils are working jointly with other agencies to address the needs of tenants in their area, but the effectiveness of partnership working across Wales is variable. There is evidence of good joint working but a number of councils are not working effectively with housing associations. Training and information sharing between agencies is taking place but the success of this work varies.
- 18 There are limitations in the quality and coverage of data currently collected to understand the impact of welfare reform on social housing. Some key data to measure the impact of the welfare reforms is not collected. Councils and housing associations are not required to collect, evaluate and report on the number of tenancies failing, incidents of anti-social behaviour and other indicators of reduced life chances for children living in overcrowded accommodation.

### Councils and housing associations are having little effect in their efforts to help tenants mitigate the impact of the removal of the spare-room subsidy

- 19 Most social-housing landlords have communicated effectively with their tenants on the changes to their benefits and have developed detailed profiles to plan how they deliver their services. However, of the tenants we surveyed, a large proportion – 68 per cent – stated that they had not received any support from their landlords to address the impact of welfare reform, and 47 per cent stated that they had not received any advice from anyone.

- 20 The majority of social-housing landlords have also revised their allocation scheme to give tenants affected by the removal of the spare-room subsidy priority to transfer, but there are variances in standards that mean people with the same needs are receiving different levels of service. However, not all tenants who are liable to pay increased rent because of the removal of the spare-room subsidy have registered to move home and only 14 per cent of those affected have moved to date. The criteria used to let empty homes are changing with the ability to afford a home becoming as important as meeting housing need. This makes letting empty homes more complicated.
- 21 There is a mixed picture of how well councils and housing associations are using the private-rented sector to rehouse those affected by the removal of the spare-room subsidy. The private-rented sector is seen as offering lower security of tenure than social housing, the majority of social-housing tenants affected by the removal of the spare-room subsidy do not want to be rehoused in private-rented properties, and there has been little take-up to date. In some areas of Wales, housing associations are in competition with private-rented sector landlords for new tenants.
- 22 Most councils and housing associations have considered lodging schemes<sup>6</sup> but tenants do not support them and there has been very limited take-up. There is increased demand for smaller homes to meet the needs of tenants affected by the removal of the spare-room subsidy but there has been little increase in the supply of smaller housing. Investment in developing new housing is limited and it will take time to develop new properties.
- 23 There has also been little change to the existing social-housing stock, and landlords are not converting their properties to create smaller homes to address the increased demand arising from the removal of the spare-room subsidy. There have been no reported sales, mothballing or demolition of homes because of changes in Housing Benefit.
- 24 There is a mixed picture of how councils and housing associations are supporting tenants affected by the removal of the spare-room subsidy into employment. Only 48 per cent of councils and housing associations are providing their tenants with access to training schemes to increase their prospect of employment. Only 40 per cent of councils and housing associations have targeted their unemployed tenants with access to apprenticeship schemes. Only 24 per cent of councils and housing associations have encouraged and supported their tenants to participate in regional and national employment schemes.

<sup>6</sup> Lodgings schemes enable tenants with spare rooms to rent these rooms to people who need a place to stay and allows the tenants to offset the reduction in housing benefit.

- 25 Discretionary Housing Payments from the UK Government's DWP and the Welsh Government increased by £5.1 million in 2013-14 but the allocation, distribution, administration and use of these payments have significant inconsistencies and weaknesses. The distribution of funds by the DWP is not determined by need and is left to local discretion, which varies widely across Welsh councils. Most social-rented-sector tenants affected by the removal of the spare-room subsidy are not receiving these discretionary payments.

### Councils and housing associations report having to increase expenditure to deal with some of the impacts of welfare reform and future changes will significantly increase the risks they face

- 26 Evidence is emerging to suggest that welfare reform is resulting in increased costs for the Welsh Government, social-housing landlords and tenants. Social-housing landlords tell us that managing empty homes and collecting rent have become more complex and require a greater investment in resources. Some 36 per cent of social-housing landlords have seen a significant increase in their costs for managing rent arrears; 38 per cent a slight increase in management costs; and 26 per cent reported no change.
- 27 There has been no significant increase in void properties but most landlords have less demand for larger homes. Rent arrears of current social-housing tenants increased by £5.3 million and the number of tenants in arrears by 23.3 per cent between April and October 2013. There has been no increase in homelessness acceptances<sup>7</sup> but 50 per cent of councils report that demand for temporary accommodation is increasing and 41 per cent that some homeless people are waiting longer in temporary accommodation to be rehoused.
- 28 The planned roll out of Universal Credit and direct payment of benefits to tenants will increase the risks that councils and housing associations will have to address. There is great concern amongst councils and housing associations that the impact of direct payments will cause greater levels of debt and increases in homelessness amongst the most vulnerable.

<sup>7</sup> Households found to be eligible for assistance, unintentionally homeless and falling within a priority need group (as defined by homelessness legislation) are referred to as 'acceptances'. These households are consequently owed a main homelessness duty by a local housing authority.

# Recommendations

29 The key recommendations arising from the work we carried out are that:

Recommendation	Responsible Partners
<p>R1 Improve strategic planning and better co-ordinate activity to tackle the impact of welfare reform on social-housing tenants by ensuring comprehensive action plans are in place that cover the work of all relevant council departments, housing associations and the work of external stakeholders.</p>	<p>Councils, housing associations</p>
<p>R2 Improve governance and accountability for welfare reform by:</p> <ul style="list-style-type: none"> <li>• appointing member and officer leads to take responsibility for strategic leadership on welfare reform and be accountable for performance; and</li> <li>• ensuring members receive adequate training and regular briefings on welfare reform to be able to challenge and scrutinise performance and decisions.</li> </ul>	<p>Councils</p>
<p>R3 Ensure effective management of performance on welfare reform by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable members, officers and the public to judge progress in delivering actions;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially housing associations; and</li> <li>• establishing measures to judge the wider impact of welfare reform.</li> </ul>	<p>Councils</p>
<p>R4 Strengthen how welfare-reform risks are managed by creating a single corporate-level approach that co-ordinates activity across the council and the work of others to provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place.</p>	<p>Councils</p>
<p>R5 Improve engagement with tenants affected by the removal of the spare-room subsidy through:</p> <ul style="list-style-type: none"> <li>• the provision of regular advice and information on the options open to them to address the financial impact of the change in their circumstances;</li> <li>• the promotion of the 'Your benefits are changing' helpline; and</li> <li>• the provision of support to tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes.</li> </ul>	<p>Councils, housing associations, Community Housing Cymru</p>

Recommendation	Responsible Partners
<p>R6 Establish a set of minimum service standards on lettings and transfers to ensure that tenants affected by the removal of the spare-room subsidy receive a minimum standard of service from their landlord.</p>	<p>Welsh Government</p>
<p>R7 Improve management, access to and use of Discretionary Housing Payments by:</p> <ul style="list-style-type: none"> <li>• establishing a clear policy or guide that is available in hard copy and online to the public that sets out the council's policy and arrangements for administering Discretionary Housing Payments;</li> <li>• clearly defining eligible and non-eligible housing costs covered by Discretionary Housing Payments in application forms, policy documentation and applicant guidance leaflets;</li> <li>• clearly setting out the maximum/minimum length of time that such payments will be provided;</li> <li>• setting and publishing the timescale for the council making a decision on Discretionary Housing Payments applications;</li> <li>• including information within public literature on the council's policy for right to review or appeal of a decision and the timescales and process to be followed in deciding on these; and</li> <li>• clearly define the priority groups for Discretionary Housing Payments in public literature to ensure that those seeking assistance, and those agencies supporting them, can assess whether such payments are a viable option to address their housing and financial needs.</li> </ul>	<p>Councils</p>

30 The responsible partners named above should co-operate in ascertaining how they will collectively address these recommendations and how others may be involved; for example, Welsh Tenants, the Welsh Local Government Association, and Community Housing Cymru.

## Part 1

The changes being made to the Housing Benefit system as part of welfare reform will affect a greater proportion of social-housing tenants in Wales than in England or Scotland, and there is increasing poverty, debt and exclusion amongst some social-housing tenants which coincide with these changes



- 1.1 Welfare reform has been a major feature of recent public-sector spending cuts. The UK Government's concerns about escalating costs, combined with a drive to simplify the welfare system and encourage recipients into work, have resulted in significant changes to taxes and benefits. The UK Government's DWP notes that spending on working-age benefits and tax credits increased by almost 50 per cent in real terms in the 10 years to 2011-12, and in 2009-10 around £90 billion was paid out in benefit payments to people of working age and their families, about the same as was spent on education<sup>8</sup> in Great Britain.
- 1.2 One of the major areas for change relates to Housing Benefit. In recent years, there has been a significant increase in the number claiming Housing Benefit in Great Britain, with claimants rising from 4.3 million households in February 2009 to just over 5 million in February 2014. In this period, the numbers claiming rose by 17.1 per cent in England, 15.5 per cent in Wales and 9.7 per cent in Scotland<sup>9</sup>.
- 1.3 Of the five million claimants, two-thirds (66.8 per cent in February 2014) are social-housing tenants, ie, in accommodation provided by the local council or housing association. The remaining third of claimants are in rented accommodation provided by private landlords. The number of social-rented tenants claiming Housing Benefit in Great Britain has risen by 5.9 per cent in the last five years from 3,155,980 in February 2009 to 3,342,448 in February 2014. In this period, the numbers claiming rose by 7.5 per cent in England, 5.1 per cent in Wales and 2.4 per cent in Scotland – [Exhibit 1](#).

#### Exhibit 1 – Social Rented Housing Benefit recipients in Great Britain: February 2009 to February 2014

The number of social-rented-housing tenants claiming Housing Benefit increased by 5.9 per cent in the five years between February 2009 and February 2014.

Social Landlord by Country	February 2009	February 2010	February 2011	February 2012	February 2013	February 2014
England – Local Authority	1,223,131	1,233,579	1,205,192	1,196,889	1,183,873	1,153,552
England – Housing Association	1407857	1507081	1568516	1624583	1665162	1647171
Scotland – Local Authority	201222	206788	207537	206396	205527	199546
Scotland – Housing Association	167383	174715	177,323	179,219	179,806	177,803
Wales – Local Authority	89,065	79,846	71,584	65,254	64,741	63,452
Wales – Housing Association	67,323	81,751	92,411	101,027	101,914	100,924
Great Britain – All	3,155,981	3,283,760	3,322,563	3,373,368	3,401,023	3,342,448

Source: Department for Work and Pensions, Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE), via Stat-Xplore, February 2009 to February 2014.

<sup>8</sup> DWP (2011) **Benefit Cap (Housing Benefit) Regulations 2012: Impact assessment for the benefit cap**, July 2012, London: DWP.  
<sup>9</sup> Department for Work and Pensions, **Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE)**, via Stat-Xplore, February 2014.

1.4 Given that a higher proportion of Housing Benefit claimants come from the social-housing sector, the UK Government is, through the Welfare Reform Act 2012, introducing changes to the eligibility criteria to reduce expenditure for social-housing tenants. The two key changes are the removal of the spare-room subsidy and the introduction of the benefit cap:

- a Removal of the spare-room subsidy – From April 2013, social-housing tenants of working age with one or more spare bedrooms have had their Housing Benefit reduced by a fixed percentage of 14 per cent if they have one spare room and 25 per cent if they have two or more. The UK Government’s impact assessment calculates that the average reduction for tenants with one room over the bedroom standard will be £12 per week and for those with two or more, £22 per week.
- b Benefit Cap — From the summer of 2013, the total amount that an out-of-work, working-age household can receive in benefits has been capped. The cap is set at the median net earnings for a working family and is initially £500 per week for families and couples and £350 a week for single people. The total amount of benefits a family can receive will not surpass £26,000. If a household’s benefit income exceeds the cap, the housing element will be reduced first. This means, prior to the introduction of Universal Credit, that affected households will see their Housing Benefit reduced<sup>10</sup>.

1.5 In addition, the UK Government has also introduced four other reforms to welfare, which are likely to have a continuing and far-reaching impact on social-housing tenants. These are as follows:

- a Universal Credit – is a single monthly-integrated benefit for working-age households, both in and out of work, which is paid direct to claimants. Universal Credit will replace income-based Jobseeker’s Allowance; income-related Employment and Support Allowance; Income Support; Working Tax Credit; Child Tax Credit; and Housing Benefit. Universal Credit is currently being rolled out, with the UK Government planning for the vast majority of claimants to have moved onto Universal Credit during 2016 and 2017.
- b Since April 2013, there have been changes and reductions in support for Council Tax, which include devolving power to local authorities to design and administer this benefit. Local authorities have been allocated 90 per cent of the funds they previously received for the benefit and are expected to address the 10 per cent shortfall by either cutting budgets or investing their own money to address the shortfall. In Wales, however, an extra £22 million in funding has been provided to local authorities in 2013-14 and 2014-15 by the Welsh Government to ensure that those people eligible for council tax support in Wales would continue to receive their full entitlement.

<sup>10</sup> Most out-of-work benefits are included within the benefit cap such as Child Benefit, Child Tax Credit, Housing Benefit, Income Support and Jobseeker’s Allowance although there are exemptions including someone who is in receipt of Disability Living Allowance, carers’ allowance and war widows and widowers. See [www.gov.uk/benefit-cap](http://www.gov.uk/benefit-cap) for the full list.

- c Tenants who claim Housing Benefit have had the amount they can claim reduced if there are any other adults (over 18) in their household, not dependent on them financially. These would usually be adult children, parents or other relatives. Joint tenants, lodgers and paid carers are not considered as non-dependants, as they are treated as separate households entirely. The DWP's impact assessment estimates that 300,000 households in Great Britain currently have their Housing Benefit reduced because of non-dependants, of whom half are social-housing tenants.
- d Benefits for sick and disabled people have been reformed with the introduction of Employment Support Allowance to replace Incapacity Benefit. New, stricter assessment criteria have been introduced and those who do not meet them may be eligible for Jobseeker's Allowance instead. This means they must meet the criteria of being available for and actively seeking work. A single person aged over 25 receives £72.40 a week on Jobseeker's Allowance, whereas on Incapacity Benefit they would have received between £76.45 and £104.10, depending on the length of their claim. This means that tenants who move from Incapacity Benefit to Jobseeker's Allowance are likely to see a reduction in their income.

**The DWP estimates that the removal of the spare-room subsidy will secure £490 million of savings in Housing Benefit in Great Britain in 2013-14 of which £26 million will be achieved in Wales, but the true savings figure cannot be forecast accurately**

- 1.6 The DWP published two impact assessments on the removal of the spare-room subsidy for working-age Housing Benefit claimants living in the social-rented sector, in February 2011 and June 2012<sup>11</sup>. These impact assessments conclude that, because of the changes, approximately 660,000 social-housing-tenant households will see a reduction in their Housing Benefit resulting in estimated savings of roughly £490 million in 2013-14 and a further £525 million in 2014-15, a total of just over £1 billion over the first two years of operation<sup>12</sup>.
- 1.7 This estimated saving is based on multiplying the average estimated penalty reduction in Housing Benefit – £14 – by the estimated number of affected households over the course of 2013-14. However, the DWP impact assessment only calculates savings at a Great Britain level and no calculation by individual country is available. We have applied this same methodology to Wales using data published by the DWP and estimate that the removal of the spare-room subsidy could result in £25.9 million of savings in Wales in 2013-14<sup>13</sup>.

<sup>11</sup> DWP (2011) **Under occupation of social housing: Impact assessment**, February 2011, London: DWP; and DWP (2012) **Housing Benefit: Under occupation of social housing: Impact assessment** Updated June 2012, London: DWP.

<sup>12</sup> DWP (2012) **Housing Benefit: Under occupation of social housing: Impact assessment**: Updated June 2012, London: DWP.

<sup>13</sup> This is based on the number of households affected by the social housing size criteria in Wales in May 2013 (35,714 households) multiplied by 52 weeks multiplied by the average weekly reduction in Housing Benefit identified in the DWP Impact Assessment (£14).

- 1.8 However, the DWP recognise in their impact assessment that there is 'uncertainty about likely claimant and landlord responses to the introduction of the social sector size criteria [which] creates uncertainty about the benefit saving likely to be realised'<sup>14</sup>. Potentially, the level of savings could be far less than envisaged in the DWP Impact Assessments, which makes it difficult to predict the full financial impact of the removal of the spare-room subsidy with any certainty. For example:
- a By downsizing to more appropriately sized accommodation, tenants will no longer be under occupying, thus avoiding the impact of the removal of the spare-room subsidy. However, large proportions of tenants are likely to continue to claim Housing Benefit and this will reduce the maximum notional saving that could be achieved.
  - b In addition, some tenant responses could actually add to a household's Housing Benefit costs, thereby reducing net savings or even potentially increasing the overall cost of Housing Benefit. For instance, there would be a net increase in Housing Benefit if a tenant moved to a correctly-sized but a higher-rent home, either in the private-rented sector or within the social-rented sector.
  - c Some tenants may also add in family members or lodgers to their household (where their tenancies allow), so that they are no longer under occupying and would thus continue to claim full Housing Benefit.
- 1.9 For the forecast savings to be realised, it requires tenants affected by the removal of the spare-room subsidy either to enter employment, increase their income by working additional hours, or increase their income in other ways. Indeed, the notional saving may even increase if the total number of tenants on full benefit and/or partial benefits reduces with greater take-up of employment. In addition, if a tenant downsizes within the Social Rented Sector and a Housing Benefit claimant moves from a higher-rent Private Rented Sector property into the vacated social-rented house, then this would increase savings.

<sup>14</sup> DWP (2012) **Housing Benefit: Under occupation of social housing: Impact assessment**: Updated June 2012, London: DWP.

**Whilst the administration of welfare benefits is not devolved, the outcome of the changes affects many public services in Wales and the Welsh Government has provided funding to help address the impact**

- 1.10 The Welsh Government recognises that many of the welfare-reform changes will affect devolved services and the impact of these welfare changes is likely to be wide-ranging. Changes have the potential to affect health, social care, housing, education and training, economic development, communities and social justice, and local government, all areas which are the direct responsibility of the Welsh Government.
- 1.11 Consequently, the Welsh Government is working with partners, such as local authorities, charities, and the UK Government to help it understand the impact and consequences of the Welfare Reform Act 2012 for people living in Wales. A Ministerial Task and Finish Group on Welfare Reform was set up and commissioned a programme of research to assess the impact of the welfare reforms in Wales. The Task and Finish Group published several reports between February 2012 and November 2014 including the following:
- a Stage 1 – an analysis of existing evidence on the cumulative impact of the tax and benefit changes on individuals and households in Wales published in February 2012.
  - b Stage 2 – an assessment of the effects of the main welfare reforms on household incomes in Wales, which provides a more detailed review of the wider economic and social impacts of welfare reform and potential implications for devolved public services in Wales. In addition, the Institute for Fiscal Studies (IFS) was commissioned to analyse the effects of welfare reforms on income and labour supply in Wales. Both of these reports were published in February 2013.
  - c Stage 3 – an assessment of the impacts of the welfare reforms on those with protected characteristics (eg, gender, age, disabled people, and race) published in February 2014. The impact of the reforms in local-authority areas was also assessed and this report was published in February 2014.
  - d Further commissioned research – the earlier research undertaken by the IFS to assess the impact of the welfare reforms on incomes in Wales has been updated and extended to include tax as well as the benefit changes. This research was published in July 2014. Research on the impact of benefit sanctions was also published in November 2014.

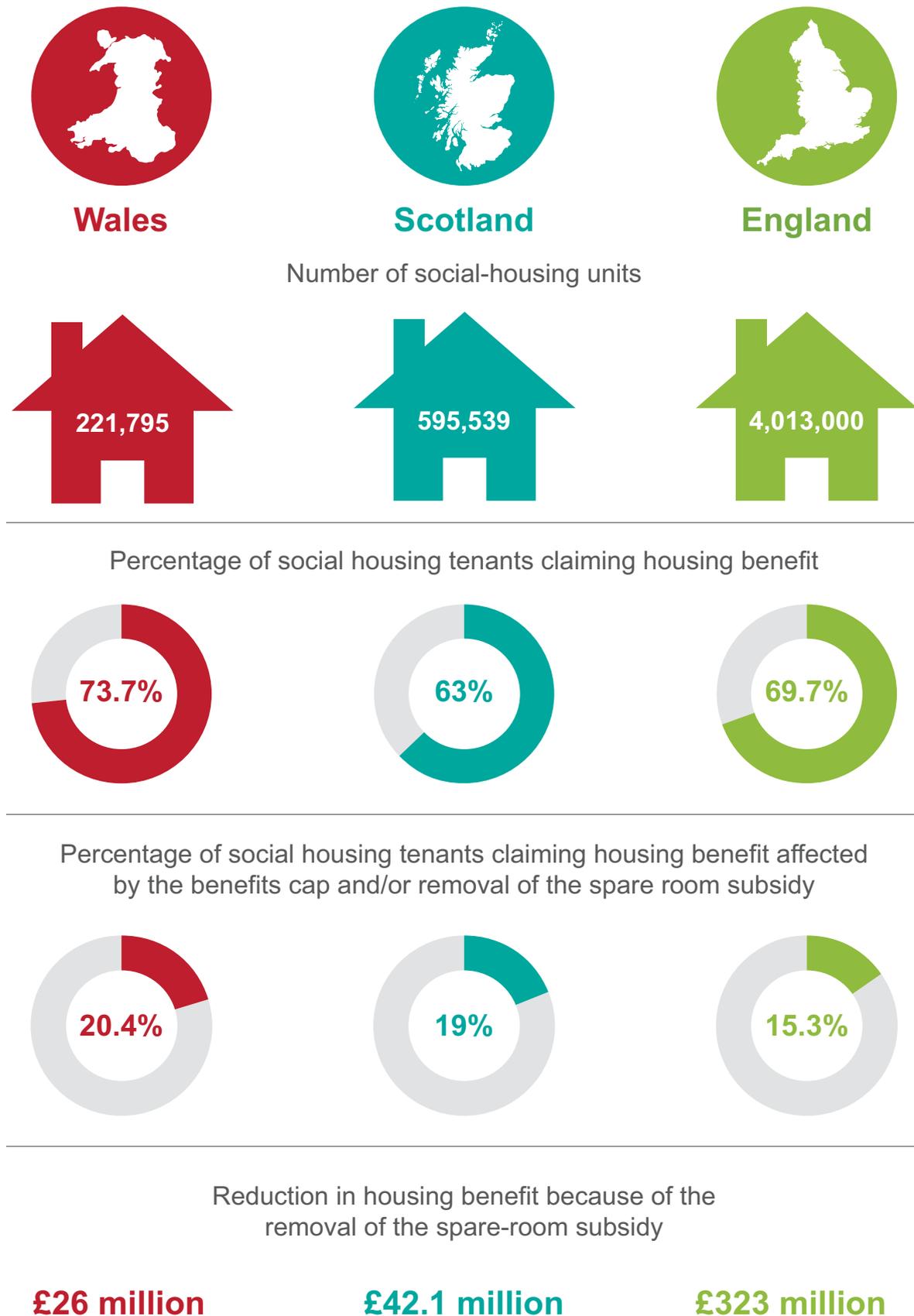
- 1.12 In addition, as the changes introduced by welfare reform directly affect devolved services, especially those delivered by local authorities, housing associations and the voluntary sector, the Welsh Government has budgeted for some additional expenditure to address the impact in respect of housing services. This includes:
- a £40 million of capital investment between 2012-13 and 2015-16 to develop smaller social-rented housing;
  - b £1.3 million of extra funding for discretionary housing payments in 2013-14;
  - c £22 million of additional monies in 2013-14 to 2016-17 for council-tax support; and more cash for advice and support services;
  - d £1.5 million under the Homelessness Grant Programme during 2011-12 and 2012-13 to help tenants and landlords to cope with the reforms by promoting awareness of the changes; and
  - e £0.25 million for a national research programme and awareness campaign in 2012-13 and 2013-14 to better understand the impact of welfare reform and be able to tailor support to people in need.
- 1.13 The Welsh Government has also made representation to the UK Government on the effect of welfare reform and continues to review these changes in Wales and revise policy to take account of the impact.

**Since 1 April 2013, a greater proportion of tenants of social housing in Wales have seen their Housing Benefit reduced because of the removal of the spare-room subsidy than in England or Scotland**

- 1.14 A greater proportion of Welsh social-housing tenants claim Housing Benefit than in England or Scotland – 73.7 per cent in Wales compared with 69.7 per cent in England and 63 per cent in Scotland. Of those claiming Housing Benefit, higher proportions are subject to the removal of the spare-room subsidy in Wales than either England or Scotland – 20.4 per cent compared with 19 per cent in Scotland and 15.3 per cent in England. Consequently, the impact of the removal of the spare-room subsidy is far greater in Wales than the rest of Great Britain – [Exhibit 2](#).

Exhibit 2 – Comparison of the impact of the removal of the spare-room subsidy in England, Scotland and Wales

Proportionally more tenants of social housing in Wales are affected by the removal of the spare-room subsidy than in either England or Scotland



Source: Department for Work and Pensions, Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE), via Stat-Xplore, May 2013; Department for Communities and Local Government, Dwelling Stock Estimates: 2013, England; Scottish Government, Housing Statistics for Scotland – Key Information and Summary Tables, May 2014; and StatsWales, HOUS0601: Stock and rents of dwellings at social rents, August 2013.

## There is increasing poverty amongst some social-housing tenants, which coincides with changes to their Housing Benefits

- 1.15 With the rising cost of food, utilities, fuel, and a reduction in benefits, many social-housing tenants in Wales now face increasing challenges to make ends meet. Just over half of social-housing tenants have seen their debt increase because of the removal of the spare-room subsidy and introduction of the benefit cap. Use of food banks is increasing and issues in respect of benefits account for almost half of all applications for assistance made by agencies working with people on low incomes. A large number of social-housing tenants remain digitally excluded and face difficulties accessing on line services, which is a major issue of concern with the imminent roll out of Universal Credit.
- 1.16 Many social-housing providers are also concerned about how to provide residents with the financial advice that will enable them to manage their new responsibilities, safeguard their rent payments and other important expenses. However, with the significant fall in specialist advice services in Wales, many social-housing tenants are struggling to cope.
- 1.17 In this section of the report, we consider the impact of the changes in welfare benefits on tenants and the consequences for councils and housing associations. This analysis is drawn from our tenants survey, fieldwork with councils, housing associations and specialist agencies, and analysis of recent national (UK) research.

### Our research found that social-housing tenants affected by the removal of the spare-room subsidy have seen a 51 per cent increase in their personal debt

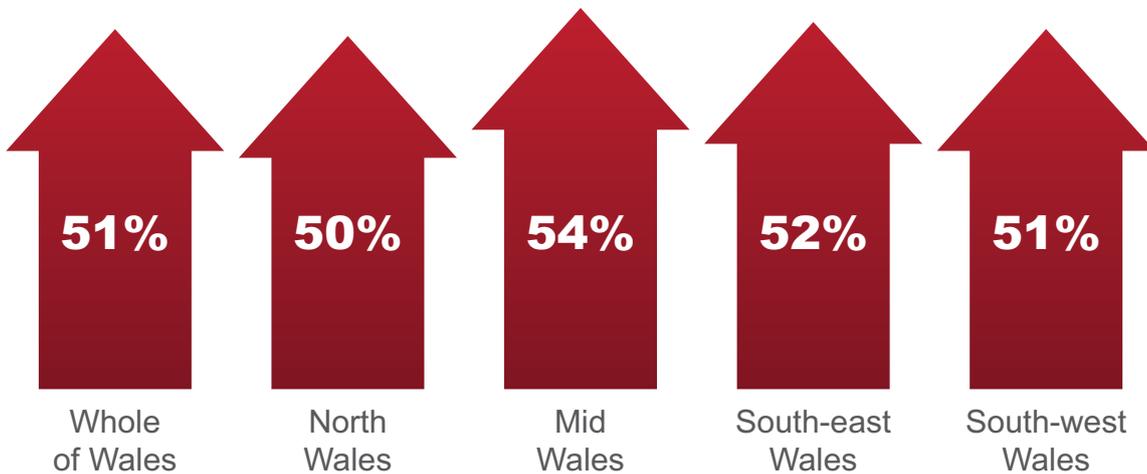
- 1.18 For low-income households in social housing there are many challenges to overcome in making ends meet. Tenants have to manage finite and reducing income and balance competing demands for their money. This requires good money-management skills if they are to continue to provide for themselves and their families and not fall into debt.
- 1.19 National research shows that low-income households are affected far more than others by rising costs. For example, research by Kellogg's<sup>15</sup> in the UK found that between December 2007 and December 2012, while the consumer price index (CPI) increased by 17.7 per cent, the price of food and non-alcoholic beverages increased by 28.2 per cent. The poorest 10 per cent of households spent almost a quarter of their income (23.8 per cent) on food and non-alcoholic drink in 2012 compared with an annual spend of around 4.2 per cent by the richest 10 per cent of households.

<sup>15</sup> Kellogg's, *Hard to Swallow: The Facts about Food Poverty*, March 2013.

- 1.20 Likewise, nearly a quarter of households in Wales experience fuel poverty<sup>16</sup>, resulting in 320,000 households having to spend 10 per cent or more of their income on energy to heat their homes adequately<sup>17</sup>. In Wales, householders pay five per cent more for their electricity than the rest of the UK with 50,547 households in debt to electricity suppliers and 46,588 in debt to gas suppliers<sup>18</sup>. This fuel poverty may result in a choice between heating and powering their homes or eating properly. The risk of fuel poverty rises sharply as household income falls, whereas very few households with above-average incomes are in fuel poverty.
- 1.21 Through our research, we found that because of these increasing costs and diminishing income, many tenants are experiencing greater levels of debt. From our survey of tenants we found that the average reduction in Housing Benefits for tenants affected by the removal of the spare-room subsidy in Wales has been £15.02 per week. This equates to a reduction of £781.04 per annum, a significant sum of money for a family on a low income. The impact of this reduction in benefits has been a rise in the numbers of tenants in debt. Our tenants survey found that over half of those interviewed – 51 per cent – said that they had seen their personal debt increase because of welfare-reform changes – see [Exhibit 3](#).

**Exhibit 3 – Proportion of tenants surveyed who have seen increase in their debt since the removal of the spare-room subsidy and introduction of the benefit cap**

Just over half of tenants have seen their personal debt increase since April 2013 since the removal of the spare-room subsidy and introduction of the benefit cap



Source: Wales Audit Office Tenants Survey, January to March 2014.

<sup>16</sup> A household is said to be in fuel poverty when its members cannot afford to keep adequately warm at reasonable cost, given their income.  
<sup>17</sup> The Welsh Government believes that a household is in fuel poverty if they spend 10 per cent or more of their income on energy costs, including Housing Benefit, Income Support or Mortgage Interest or Council Tax benefits. They are in severe fuel poverty if they have to spend 20 per cent or more. Visit the [Welsh Government Fuel Poverty page](#).  
<sup>18</sup> [Fuel Poverty Cymru Charter 2012](#)

- 1.22 From our fieldwork, we also found tenants are increasingly using stopgap or 'pay-day' loans to make ends meet. Payday loans are small, short-term loans, usually less than £500, and are meant to help people until they next are paid or receive benefits, at which point the loan is intended to be repaid in full. Whilst these loans are a convenient option for families who need money in an emergency, they also have the potential to put people further into debt as the repayment terms and annual percentage rate are often very high. Indeed, one council reported an individual owing more than £70,000 to creditors because of high interest rates on short-term loans.
- 1.23 We found that many people do not have the knowledge or skills to think about and plan their finances in the longer term. This is particularly the case for a significant number of social-housing tenants where the consequences of poverty, debt and housing problems can be significant and long-standing. For some, the energy needed to constantly juggle demands on their income can become depleted and it is not uncommon for progress on reducing debts to stall or be undone. To successfully reduce debt often requires the assistance of professional advice and counselling.

### The rise in numbers using food banks in Wales is mainly caused by delays in benefit payments, low income and changes in their eligibility for benefits

- 1.24 There are currently 35 food banks organised by the Trussell Trust in Wales overseeing 80 distribution centres. Food banks provide applicants with food parcels that contain at least three days' supply of non-perishable foods such as tinned fruit, vegetables, meat and fish, as well as pasta, cereal, UHT milk, sauces, tea and long-life juice. Food-bank clients can receive a maximum of three food-bank vouchers in a row. Front line care professionals, such as health visitors, social workers, housing support officers and GPs, may issue vouchers.
- 1.25 The number of people using food banks has increased significantly in the UK in the last decade rising from 2,814 individual cases in 2005-06 to 913,318 in 2013-14. Between 2012-13 and 2013-14, there has been a 263 per cent increase in the number of people using food banks<sup>19</sup>. In Wales, there has been a similar increase in recent years, with the number of individuals requesting assistance from Welsh food banks rising nearly five-fold over the past two years, from 16,413 in 2011-12 to 79,958 in 2013-14.
- 1.26 Analysis by the Trussell Trust shows that the main reasons people used food banks in 2013-14 are dominated by welfare benefits, low income and debt issues. For example, in 2013-14, welfare-benefit delays accounted for 29.7 per cent of applications for food bank vouchers; the family being on a low income 21.5 per cent; changes to benefits 17.3 per cent; household and personal debt 9.5 per cent; applicant being unemployed 3.3 per cent; homelessness 3.3 per cent; and other 9.2 per cent.

<sup>19</sup> Trussell Trust, Press Release: Latest food bank figures top 900,000, April 2014.

1.27 From our fieldwork we found that the referrals to food banks by councils and housing associations is becoming more important as a source of aid and assistance for tenants of social housing. We found the number of councils are accredited to issue food-bank vouchers increasing and all councils are either undertaking work to raise the profile of local food banks amongst tenants and residents in their area or planning to do so. Similarly, the bulk of housing associations are actively promoting food banks and only a small proportion of housing associations surveyed (three per cent) state they are not planning to endorse food banks to their tenants.

## Many tenants are digitally excluded and are unable to access important online services

1.28 Access to the internet is fundamentally changing the way people connect and how they access information and support. It opens doors, creates opportunities, enables people to apply for jobs and learn new skills. Those who cannot use technology lose out on many levels. They are unable to secure cheaper shopping deals, use internet banking with better rates and fewer charges, utilise online council tax payments or car tax renewals. Chwarae Teg<sup>20</sup> estimates that offline households miss out on savings of £560 each year from shopping and paying bills online<sup>21</sup>. Seeking work or wanting to update or develop skills is also harder for those without internet access as many jobs and training courses involve email applications and online form filling.

1.29 It is also estimated that nearly half of the 8.7 million adults who have never been online in the United Kingdom live in social housing, and being digitally excluded makes these tenants' lives much more difficult and their financial situation even more precarious<sup>22</sup>. With the UK government proposing to fundamentally reform service delivery and maximise the use of an online channel creating a digital by default service, there is a real danger that many digitally excluded social-housing tenants in Wales will be at a disadvantage.

1.30 Our fieldwork found that internet access for many social-housing tenants in Wales is poor, with 39 per cent of tenants surveyed claiming they have no access to a computer. This is supported by our landlords survey, which found that over 16,126 tenants in Wales do not have access to a computer and 17,474 have no access to the internet. This represents a major risk for landlords and tenants, especially with the further changes proposed under Universal Credit. Indeed, our work with councils identified that many believe that Universal Credit and the increasing requirement of claimants using online systems is going to be a major challenge, and continual changes to the policy itself and its planned roll out are currently hindering how they plan to deal with the impact of the changes.

<sup>20</sup> A charity working in Wales to support the economic development of women as well as working with businesses and organisations to develop and improve working practices.

<sup>21</sup> Chwarae Teg, Digital Inclusion: A Strategic Framework for Wales: Chwarae Teg Consultation Response, September 2010.

<sup>22</sup> Digital by Default 2012, Housing Technology, November 2011.

## Housing Benefit and personal-debt issues account for a significant proportion of requests for advice but there has been a significant reduction in the availability of independent housing-advice services in Wales

- 1.31 Housing advice is the provision of advice and information on legal rights and entitlements in relation to housing, and broadly covers two main areas: access to accommodation, and use of, and rights relating to, the existing home. These cover a wide range of issues, including homelessness applications and appeals, rent arrears, repairs and improvements, and accessing Housing Benefit.
- 1.32 Many of the personal and negative impacts of housing problems can be eased by good advice. Timely, tailored and personal advice can help clients with housing problems to retain their home, resolve disputes and improve property conditions. Good-quality and effective housing advice is essential therefore in ensuring families make the right choices and decisions at the right time about the housing problems they face.
- 1.33 In Wales, voluntary, private and statutory providers deliver housing advice through a variety of channels. These services are supported by a patchwork of funding streams but much of the money comes from either UK, Welsh or local government. For instance, the Legal Services Commission, a major funder of legal advice and representation via legal aid, commissions both locally delivered face-to-face provision and the national Community Legal Advice telephone service. Similarly, many councils fund advice services which assist them in discharging their homelessness responsibilities and ensure residents can access appropriate support and information.
- 1.34 Traditionally, these services have received high referrals on welfare-benefit issues. In 2012-13 Citizens Advice Bureaux in Wales saw a 30 per cent increase in client problems associated with benefits/tax credits, and throughout 2013-14 it has remained the biggest area of referral. Problems associated with benefits and tax credits now account for 42 per cent of queries handled by Citizens Advice Bureaux across Wales and in 2013-14 some 47,133 clients with over 141,500 benefits-related problems accessed these services. Currently Housing Benefit queries are the third most reported issue for all Citizens Advice Bureaux casework<sup>23</sup>.

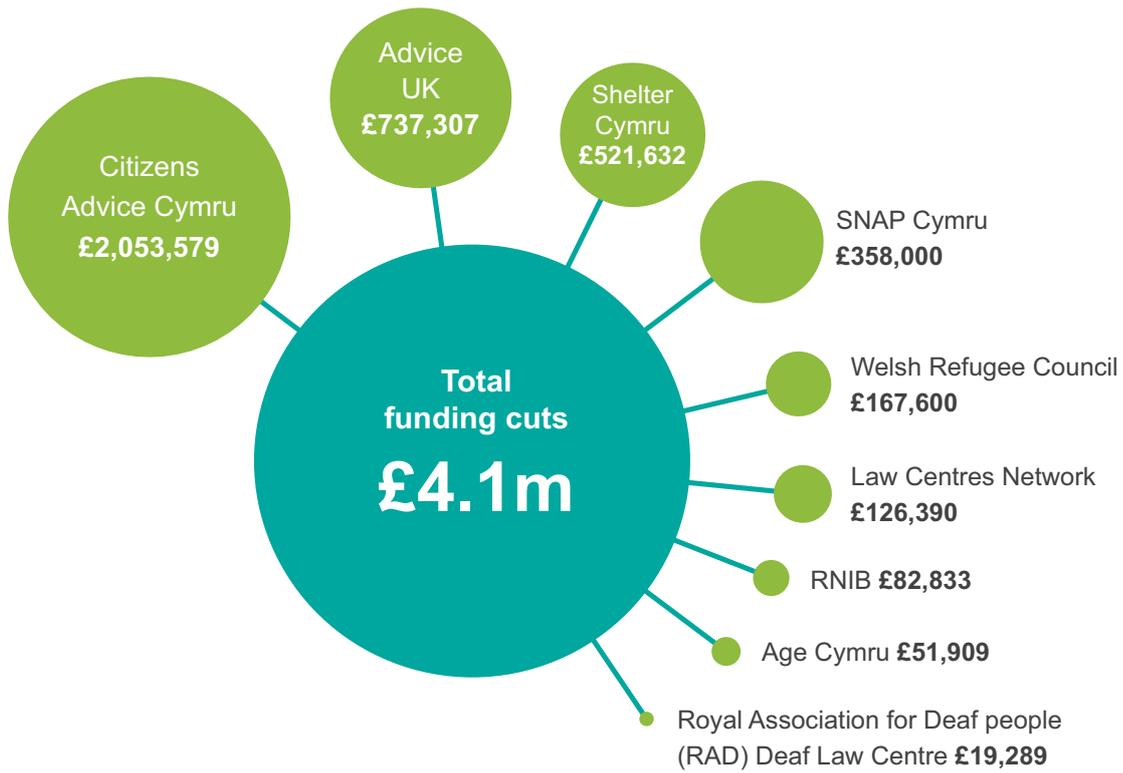
<sup>23</sup> Citizens Advice Cymru, **One day at a time – Examining the cumulative impact of welfare reform on benefit claimants in Wales**, July 2013-14.

- 1.35 With the changes introduced by welfare reform, tenants now face new challenges. These include ensuring they are getting the benefits they are entitled to; accessing support to effectively budget and plan their expenditure; and identifying medium-to-longer-term options to address the shortfall in rent to make their accommodation more affordable. Access to independent specialist advice is therefore critical for tenants to ensure they do not become homeless or run up large debt. Good-quality independent advice is also very important for councils and housing associations. We found that all councils recognise the importance of good-quality independent advice, and especially at a time when demand from social-housing tenants for help and support is both rising and becoming more complex and difficult to deal with.
- 1.36 Our survey of councils and housing associations found that 79 per cent of responders either have strengthened or are planning to strengthen referral arrangements with independent advice agencies to promote income maximisation. In addition, 92 per cent of councils and housing associations either have strengthened or are planning to strengthen referral arrangements with independent advice agencies to manage debt and benefits advice. The agencies most commonly identified by survey respondents that councils and housing associations plan to work with are Citizens Advice Cymru; Shelter Cymru; monetary advice; and independent local housing-advice services.
- 1.37 However, whilst demand for independent specialist advice is growing, we found that since April 2013 there have been significant cuts in funding for advice services in Wales with budgets falling by £4.1 million between 2013-14 and 2014-15 – see [Exhibit 4](#).
- 1.38 The reduction in grant funding for advice services is partly being addressed by a recent Welsh Government decision to allocate some £2 million of funding in 2014-15 under the Front Line Advice Services Grant<sup>24</sup>. The money is being used to fund services for the remainder of 2014-15 focussed on providing advice and assistance to people struggling to manage the impact of changes in their benefits. The continuation of this funding is subject to future Welsh Government budget decisions.
- 1.39 Nonetheless, the overall reduction in grant funding limits the scope, access to and type of advice that are available for people in housing need and especially tenants who have to cope with major changes to their Housing Benefit. From our fieldwork we found that amongst councils, housing-association and voluntary-sector housing-advice agencies, that as these services are cut, homelessness, destitution and housing need will increase, which will result in greater costs to the wider economy, making any such cut a false economy.
- 1.40 The loss of advice services will also make it more difficult for tenants, councils and housing associations to address the impact of the removal of the spare-room subsidy. This is especially salient as the advice services experiencing some of the largest cuts are the ones identified by councils and housing associations as the key services for assisting tenants in addressing the impact of welfare reform.

24 Welsh Government, September 17 2014: 'Under pressure' advice services funding boost announced by Minister

**Exhibit 4 – Cuts to Welsh advice-agency budgets between 2013-14 and 2014-15**

According to Shelter Cymru the level of funding made available to support independent advice services in Wales was cut by £4.1 million in 2013-14 and there are less services available to support people who need help to address their housing and debt issues.



Source: Shelter Cymru, Review of cuts in voluntary sector advice service funding in 2013-14 (the data has not been subject to audit).

## Part 2

Councils' plans and arrangements to help social-housing tenants cope with the impact of welfare-reform changes are inconsistent



2.1 Eleven of the 22 councils in Wales still maintain a direct social-housing landlord function, with the 34 largest housing associations providing the remainder of social housing. Welfare-reform changes affect a significant number of social-housing tenants housed by the councils or by housing associations. As part of their wider strategic housing responsibilities, it is vital that all councils in Wales have prepared comprehensive and inclusive action plans to deal with both the potential financial and social impact of the reforms. In this section of the report, we consider the effectiveness of councils' joint working, their plans to address the impact of welfare reform and how well they are managing, evaluating and overseeing performance.

### **All councils have plans to address the impact of welfare reform but some councils' actions to mitigate the impact of welfare reform are not comprehensive**

- 2.2 We found that, whilst all nine councils we visited have a plan in place to address the impact of welfare reform, the robustness and scope of these plans are variable. The action plans put in place by councils range from strategic corporate documents to operational 'to-do' lists. The strongest councils have developed detailed action plans in conjunction with partners.
- 2.3 All councils visited had a working group or board in place to discuss and consider potential impacts, and evaluate how they should respond. Appropriate membership of these forums is important to ensure full coverage of all issues and includes all organisations that are either affected by welfare reform or can play a positive role in addressing the impact. We found evidence of good practice, with some councils involving in their forums a wide range of stakeholders, including representatives from external bodies and councillors as well as individual services within the council.
- 2.4 Updates and monitoring of performance in delivering actions are undertaken via an appropriate forum – a project board or task and finish group. Good examples include the City of Cardiff Council, which has also included a number of external representatives on their task, and finish group to ensure that they are able to feed into the action plans devised by the Council.
- 2.5 Similarly, the Vale of Glamorgan Council has established an external welfare-reform stakeholder group. The group is multi-agency and includes representatives from DWP, Citizens Advice Bureau, credit unions, Communities First, Age Concern, the local housing associations, and the Vale Centre for Voluntary Services. Working through such forums has allowed some councils to develop action plans that cover the key issues they need to address which encompass a wide range of agencies which can contribute to addressing needs locally.

- 2.6 We identified some poor planning to manage the impact of welfare reform. For example, in one Council there is no formal action plan in place, rather actions are monitored via the minutes of the council's welfare-reform group. We found that these informal plans were incomplete and the proposed actions to address the impact of welfare reform was limited. Furthermore, the Council decided and communicated in a briefing note in January 2014 only to meet when the council 'receive updates of enough significance that warrant a meeting'. This approach means that the council is not subjecting its work on welfare reform to regular evaluation to ensure it is addressing changes as they occur.
- 2.7 In others, we found that individual council departments are developing and delivering unco-ordinated separate action plans. These did not link into a single overarching plan, are delivered independently of each other, resulting in duplicated activity and consequently a waste of resources. For example, in another council, there was a plan formulated in the housing department but a separate plan had also been produced in their Welfare Reform section. The lack of a comprehensive plan and clear corporate priority for welfare reform means that it is not always possible to demonstrate that delivery of actions are achieving the intended outcome.
- 2.8 Those councils' plans we examined did not seek to prioritise the intentions of the UK Government's policy around increasing jobs, increasing mobility in the social-housing sector and maximising occupancy rates. Instead, the plans tend to focus more on mitigating the financial and operational impact of the reforms on individual bodies and agencies, and are often driven by reacting to the local context.

## Councils are jointly working with other agencies to address the needs of tenants in their area, but the effectiveness of partnership working across Wales varies

- 2.9 All councils acknowledge that being able to respond effectively to the impact of welfare reform requires good engagement internally and improved joint working with key partners. The importance of partnership working has increased as additional demands are placed on council services, and as tenants need a greater level of support and advice than ever before. Joint working is recognised as key to driving efficient working practices and delivering effective outcomes.
- 2.10 While all councils recognise the need to rely more on partnership agencies providing services, the extent of this approach across Wales is mixed. Some strong good-practice examples of effective joint working we identified include the City of Cardiff Council's advice hub, a one-stop shop for money advice and other services, which includes representatives from partner agencies such as the Credit Union<sup>25</sup>, Shelter Cymru and Want to Work<sup>26</sup>. The hub works on a drop-in basis, offering money advice, budget help, and debt-management workshops.

<sup>25</sup> A credit union is a member-owned financial co-operative, democratically controlled by its members, and operated for the purpose of providing credit at competitive rates and other financial services to its members. Many credit unions provide services to support community development on a local level.

<sup>26</sup> The 'Want 2 Work' project is a joint initiative supported by the Welsh Government and Jobcentre Plus to help economically inactive people find work in Wales.

- 2.11 Likewise, Caerphilly County Borough Council has engaged effectively with a wide range of agencies to mitigate the impact of welfare reform. For example, the Council collects water rates on behalf of Welsh Water, and supports tenants to apply for Water Assist/Water Meters to reduce their water bills. The Council also refers tenants to Job Centre Plus and other internal Council employment support initiatives and to specialist services for energy-saving advice and help to reduce their utility bills.
- 2.12 However, we found that a number of councils face financial and practical difficulties in providing similar integrated and comprehensive multi-agency services. For example, the Vale of Glamorgan Council is currently carrying out a feasibility study for a housing solutions hub, but concerns were raised by staff and partners we spoke to regarding the viability of such a service at a time of considerable financial constraint.
- 2.13 The inconsistencies between councils in the level and effectiveness of joint working with partners is resulting in tenants in some areas of the country not being able to access wider support and assistance to address the impact of welfare reform. For example, we found evidence that, whilst all councils work with housing associations, the effectiveness of this engagement varies and a small number of associations are not sighted of or engaged in delivering action plans to address welfare reform.
- 2.14 Our survey of housing associations and councils found that 19 per cent of housing associations are not clear or aware of how the councils they work with are planning to address the impact of welfare reform. We also found that only 48 per cent of housing associations felt that the councils they work with have engaged with them to develop an action plan to address the impact of welfare reform on social housing in their area. This evidence suggests that many councils are not delivering comprehensive and wide-ranging solutions to meet the needs of all those affected by welfare reform and that a substantial number of key partners are not actively engaged in planning effective solutions.

## Training and information sharing between agencies is taking place but the success of this work varies

- 2.15 Due to the inherent complexities in reforming the welfare system, good-quality information, regular training and briefings for staff, partners and councillors is vital. This is important if councils are to operate in accordance with the law, take informed choices and provide those charged with policymaking and scrutiny, with the right information and knowledge to take decisions and hold the executive to account.

- 2.16 We found that councils have generally been good at providing training on the key changes to benefits, although the quality and range of coverage varied. The best approaches consider the wider community impact and engage with housing, social services, supporting people, advice staff and councillors as well as finance staff. For example, we found that Caerphilly County Borough Council held both member and staff briefing sessions. The latter drew attendance from over 500 people including head teachers as it was considered that schools could be a key point of contact for those needing more information on the changes. The Council also held a series of events with the Citizens Advice Bureau and DWP about the changes, and involved the Local Service Board and social services board in their regular briefings.
- 2.17 Likewise, we found that Newport City Council has provided training to those staff that people might go to for advice, for example, social workers, to ensure that they were able to advise tenants on welfare reform. Similarly, Wrexham County Borough Council provides regular updates on welfare-reform changes in its corporate staff newsletter and runs regular councillor workshops to support local policymaking and accountability arrangements.
- 2.18 However, we also identified a number of councils which have taken a narrow definition of welfare reform and have focussed on briefing Housing Benefits and Council Tax benefits staff only, and limited the training provided. For example, at the time of our fieldwork, one Council had limited training to key finance staff only. This approach means that there is a risk that those tasked with providing challenge to the council's action plans will not have sufficient understanding of the legislation and potential impact of welfare reform to be effective in this role.

## **Governance and accountability arrangements for responding to welfare reform in councils vary widely and there is inconsistency in how councils are monitoring and evaluating delivery of their plans**

- 2.19 Good governance enables councils to pursue their vision, achieve their priorities, and is vital to deal with difficult and challenging risks. Strong communication, effective leadership and well-informed policymakers are essential prerequisites of good governance and are key to ensuring that both council services and the wider community that they serve are properly considered in making decisions.
- 2.20 This is especially the case with welfare reform. It cuts across many different council services and has many different impacts on a wide range of organisations and individuals. To be effective, therefore, councils need to ensure there is clear leadership on welfare reform with appropriate governance and accountability processes to support policymaking, enable effective scrutiny and hold services and the executive to account.

- 2.21 From our fieldwork, we found a mixed picture of how councils are addressing the impact of welfare reform. We found that there are varying levels of scrutiny taking place; variable clarity about the lead for welfare reform; and planning and reporting structures are not always effective. Poor practice limits the effectiveness of policymaking and undermines accountability and challenge. We found that whilst all councils we visited have engaged with councillors through specific briefings or the presentation of reports to scrutiny meetings, this is not always consistent or effective.
- 2.22 We identified good approaches in Caerphilly County Borough Council. Officers and councillors are fully aware of the performance monitoring arrangements for welfare reform and who is responsible for the various strands of activity. There is evidence of challenge by councillors, through Cabinet meetings, the Policy and Resources scrutiny committee and seminars that provide councillors with regular updates on welfare-reform issues and the opportunity to oversee and challenge performance.
- 2.23 However, in other councils, engagement with councillors occurs on an ad-hoc basis and there is no clarity around how frequently information is, or should be, reported, monitored, evaluated and challenged by councillors. Such practice weakens effective decision-making and undermines scrutiny and challenge.
- 2.24 Effective and clear leadership on welfare reform also varies from council to council. Often it is not clear who the 'lead' councillor is, and while the plans tend to be officer rather than councillor led, there is often more than one 'lead' officer. The best example of clear accountability was in the City of Cardiff Council, where the Chair and Cabinet member for Health, Housing and Wellbeing headed Cardiff's approach to welfare reform. Councillors in the authority demonstrated that they are fully engaged and committed to driving the Council's agenda.
- 2.25 We also found instances where councils have no defined lead, with responsibilities spread across cabinet members and service heads. In these cases, different departments within the council would often have entirely separate action plans, and the monitoring of performance takes place at different scrutiny committees. This means that some councils are unable to take a strategic overview of the challenges they face and ensure their response is effective or all-encompassing.

## Key data to measure the impact of the welfare reforms is not currently collected

- 2.26 Key performance indicators are financial and non-financial indicators that councils use in order to estimate and evaluate how successful they are at delivering improvement and meeting strategic priorities. The selection of appropriate indicators to measure success is important, especially when evaluating new programmes and wide-ranging changes on services resulting from national policy change like welfare reform. A key element for councils in delivering their welfare-reform plan is to ensure they have suitable measures in place that are subject to regular review and evaluation to enable the executive, scrutiny and citizens to hold the council to account and judge improvement.
- 2.27 We found that the quality of performance indicator data collected and reviewed and the frequency of collection and reporting by councils are mixed. There are some good locally tailored approaches, such as in Caerphilly County Borough Council, where the council has established a number of key performance indicators to evaluate how well they are delivering their action plan. These include the number of financial assessments performed; the number of referrals to partner agencies; and the level of additional benefit money obtained for tenants.
- 2.28 However, many councils, including Pembrokeshire County Council and Wrexham County Borough Council, have not set measures to enable them to judge progress in delivering actions and evaluating impact. Rather, they are simply relying on long-established performance indicators such as the amount of rent arrears outstanding, numbers on the waiting list and average re-let times. Whilst such indicators provide some useful information, they do not provide sufficient depth or understanding of the true impact of welfare reform locally and do not allow for appropriate scrutiny of action-plan delivery.
- 2.29 We also found that some councils purely focus on reporting on their landlord role and are not taking a holistic view of welfare reform or sought to include information from housing associations within their area. This approach limits a council's ability to deliver its wider strategic housing role and there is a risk that councils do not have appropriate outcome measures to judge accurately the success and impact of delivering their action plan. This could lead to a lack of action by councils, with the full consequences of reforms not being identified and properly considered.
- 2.30 From our survey of councils and housing associations we found that: 29 per cent of councils and housing associations are not monitoring the monthly shortfall in rental income as a result of the removal of the spare-room subsidy ; only 57 per cent of social-housing landlords collect information to enable them to calculate their potential annual rental shortfall; and 33 per cent are not collecting information on debt-collection costs.

- 2.31 The councils we visited also raised concerns about the lack of qualitative information on key issues arising from welfare-reform changes such as overcrowding, tenant debt and the impact on children's education of sharing bedrooms and constantly moving home. These are all key indicators to judge the impact of welfare reform on their tenants and their business and are important measures to support service development and future policy choices. There is a risk that some of the wider unintended consequences of welfare reform are not being identified.
- 2.32 We also identified examples where councils are collecting data, but this is often not reported to an appropriate forum, such as a scrutiny committee, to support effective policymaking and challenge past decisions. In addition, we found that in some councils – particularly those with no landlord function – little performance information is being collected and used to plan local responses. For instance, no performance information was being collected at one council at the time of our fieldwork, although the council stated that it was planning to address this shortcoming in the future.

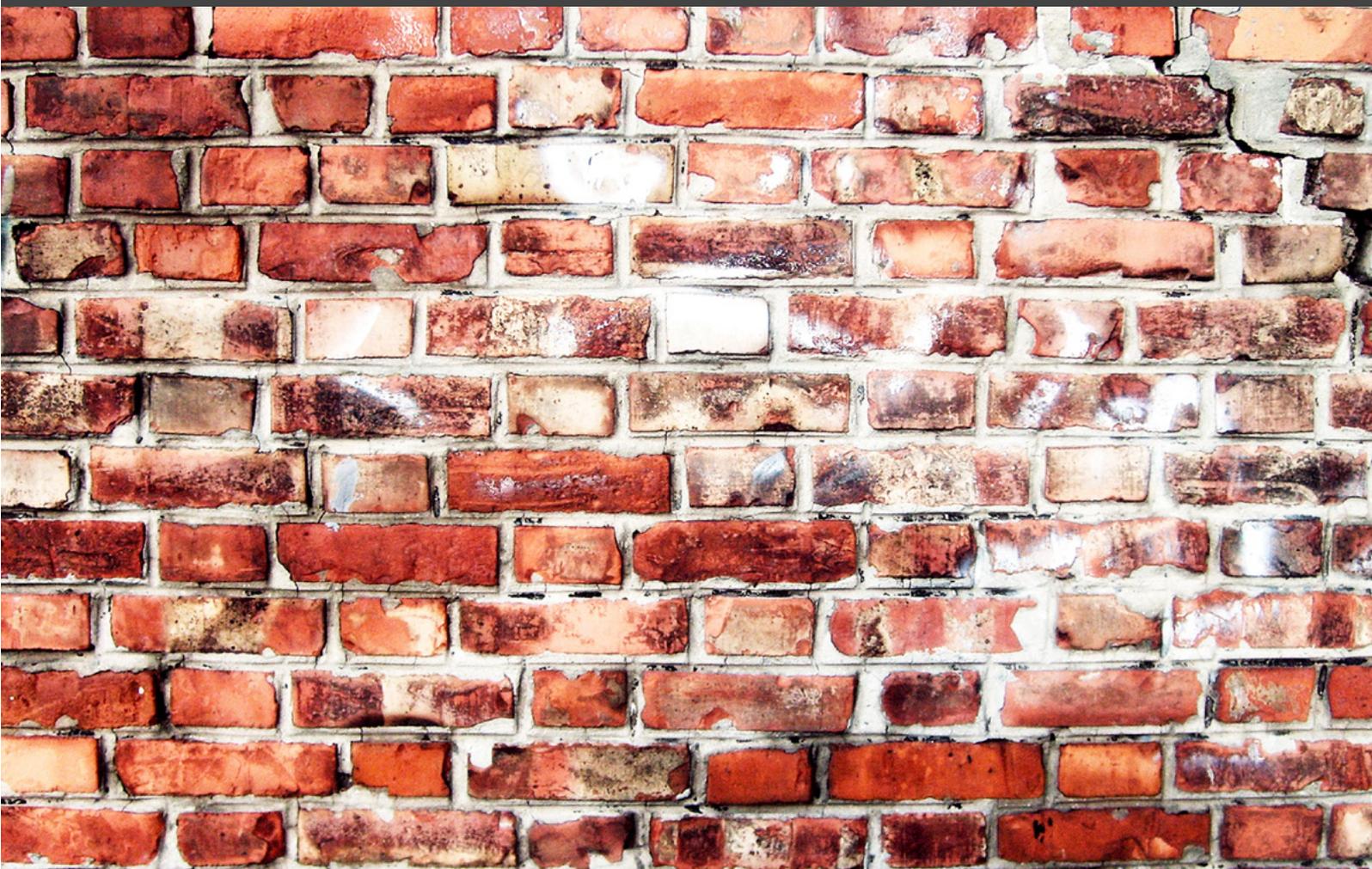
### **All councils have identified welfare reform as a significant risk but the approaches taken to mitigate this risk are not always comprehensive**

- 2.33 There are a number of potential operational and strategic risks arising from the welfare-reform changes, which will have a significant impact on councils and housing associations. To ensure councils and their partners are taking effective mitigation action they need to have robust risk-management and mitigation processes in place. These will need to be comprehensive in coverage and relate to all aspects of welfare reform and set out the actions that are planned to mitigate risk.
- 2.34 We found that all councils have identified welfare reform as a risk and established control measures but these are not always comprehensive and appropriate. The best examples are where the councils have identified in detail the potential impact and not simply listed the risk as welfare reform. Separating the risk into distinct issues allows a more tailored response to be devised, and ensures that the most appropriate action 'owner' is identified to take responsibility for alleviation and consequently to be held accountable for the risk. For example, the Vale of Glamorgan Council has established separate service-level welfare-reform risk registers, which feed into an overarching corporate risk register and are subject to regular and detailed scrutiny and challenge.

2.35 However, we also identified some weaker approaches. For instance, one Council simply noted a high-level generic risk in relation to welfare reform in a corporate risk register, which is not supported by detailed mitigation actions. Similarly, we found a number of examples of risks not being co-ordinated corporately with action being left to individual services to address. In another council we found that several services had established welfare-reform risk registers, which are managed independently of each other, often covering the same actions. This fragmented approach does not provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place and does not enable adequate scrutiny of performance.

## Part 3

Councils and housing associations are having little effect in their efforts to help tenants mitigate the impact of the removal of the spare-room subsidy



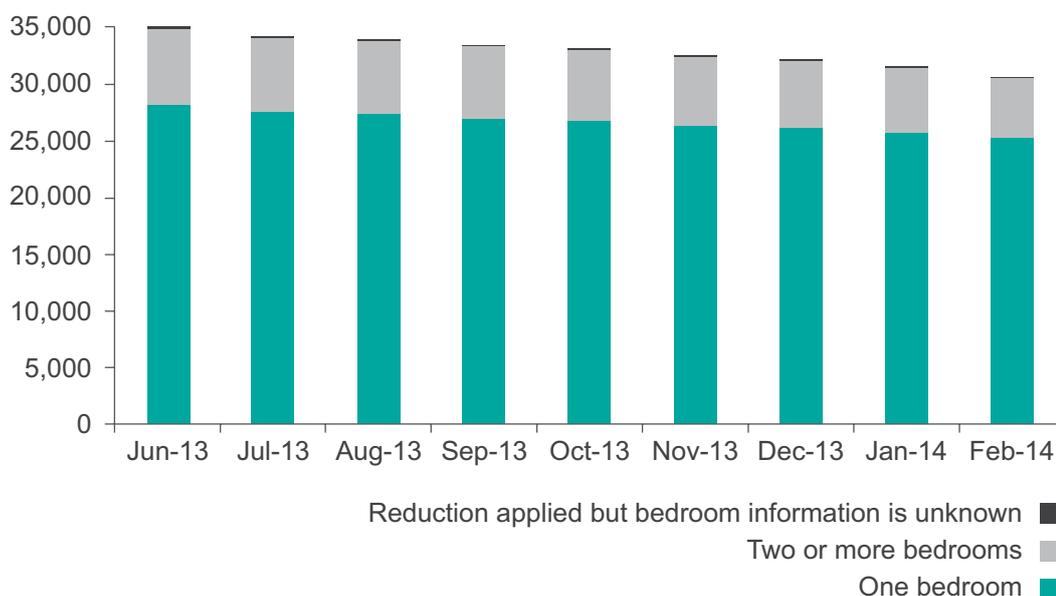
- 3.1 With their own finances under pressure and an increasing need to support over 30,000 social-housing households affected by changes in Housing Benefit in Wales, councils and housing associations face a significant challenge. This part of the report considers how effective councils and housing associations have been in addressing this impact looking at:
- a their understanding of the needs of their tenants and residents;
  - b the housing management options available to increase mobility and make better use of the existing stock;
  - c the choices pursued to increase housing supply and reconfigure existing accommodation to make it more affordable; and
  - d the work undertaken to increase employment amongst social-housing tenants.

**The number of households which are liable to pay increased rent because of the removal of the spare-room subsidy has fallen by 14 per cent in 2013-14 but the numbers assisted are expected by councils and housing associations to decline in the future**

- 3.2 Information published by the DWP shows that in the first year of the removal of the spare-room subsidy the numbers affected in Wales fell by 14 per cent between June 2013 and February 2014, from 35,011 to 30,618 – [Exhibit 5](#).

**Exhibit 5 – Social Housing Benefit Claimants in Wales and number of spare bedrooms June 2013 to February 2014**

There has been a 14 per cent reduction in the number of families affected by the removal of the spare-room subsidy (between June 2013 and February 2014).



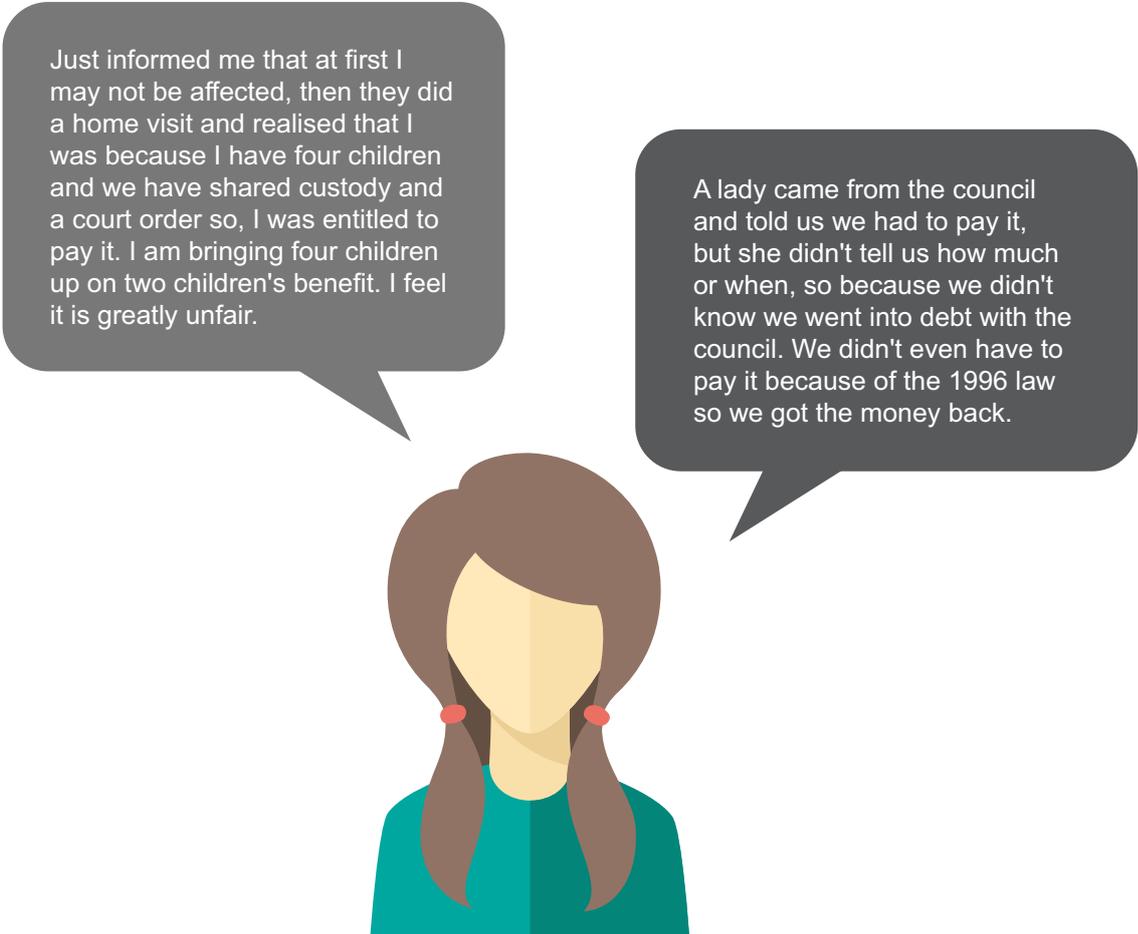
Source: Department for Work and Pensions, Monthly Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE), via Stat-Xplore, June 2013 to February 2014.

- 3.3 It is not possible to accurately determine why there has been this level of reduction because no performance data specifically on the removal of the spare-room subsidy is collected by councils and housing associations. The reasons why there has been a 14 per cent fall could be influenced by a wide number of issues – tenants may have elected to give up their home and move; tenants may have had their home repossessed for rent arrears; they may have transferred to another social-housing property that matches the revised bedroom requirements; or they may now be in employment and no longer claiming Housing Benefit.
- 3.4 Our fieldwork and research suggest that the first-year reduction in numbers has mostly been as a result of those already registered to transfer moving, benefit records being updated and correctly reconciled, and those tenants who have in the past been in employment re-entering the jobs market. The majority of councils and housing associations we surveyed and interviewed noted that the 30,000 or so households that remain are the more difficult families to assist and, going forward, helping these tenants to manage the Housing Benefit reduction and not lose their homes will be a difficult challenge.

### **Most landlords have communicated effectively with their tenants on the changes to their benefits and have developed detailed profiles to plan how they deliver their services**

- 3.5 One of the key themes that has arisen from our work is the increased need for councils and social landlords to create a better relationship with their tenants and to understand their specific needs. Early identification of tenants in need of support and assistance depends on knowing tenants, and therefore on proactively building positive relationships with them. The importance of good personal contact and ensuring tenants are able to manage cannot be over emphasised.
- 3.6 At the heart of the process must be housing staff that are fully trained and encouraged to be aware of the significance of particular information, and how to respond appropriately. To get the right people to receive support at the right time effectively and consistently requires more than pointing tenants in the right direction, it requires referral rather than signposting and is a continuing exercise not a one-off.
- 3.7 Through our fieldwork we found an increasing focus from most landlords on tenant engagement and intensive patch management to improve their collection and review of key data, and response to, needs. To achieve this has, however, meant that social landlords and councils have had to refocus their resources on face-to-face contact and community support, transferring resources to the front line to allow staff to take immediate action.

- 3.8 All councils visited had attempted to collect more information in relation to their tenants, to understand the impact that the reforms have had. The engagement with tenants varies in both nature and extent; some authorities have employed additional tenancy support officers to visit tenants and gather data through a questionnaire, while others had relied on tenants responding to standardised requests for information sent by post. The level of information collected has also varied; in some councils this was limited solely to confirming the number of people in the household and the number of bedrooms in the property, in order to understand the potential financial impact.
- 3.9 The best examples we identified are driven by regular in-depth personal contact using innovative as well as traditional channels of communication to increase awareness, knowledge and understanding. These include promoting changes and options through advertising on landlord and council vehicles, working with other stakeholders to understand and address needs such as utility providers as well as the traditional provision of written and electronic information. Councils where the data-gathering process is more extensive have been able to use the process to help them better understand their tenants, and provide more personalised advice and support; for example, completion of a budgeting tool, providing advice on utility bills, and checking to ensure all appropriate benefits are being claimed.



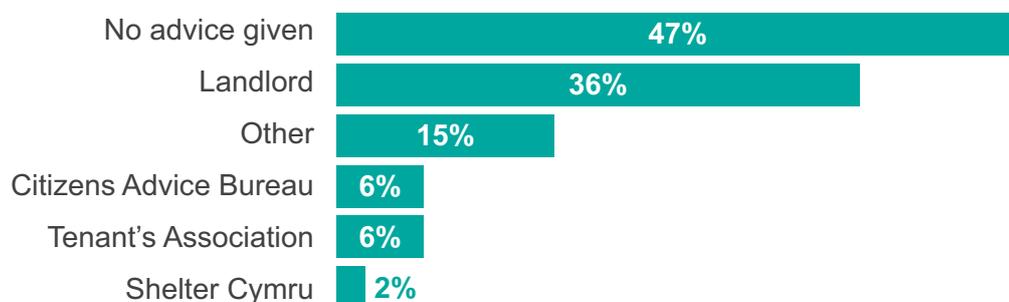
Just informed me that at first I may not be affected, then they did a home visit and realised that I was because I have four children and we have shared custody and a court order so, I was entitled to pay it. I am bringing four children up on two children's benefit. I feel it is greatly unfair.

A lady came from the council and told us we had to pay it, but she didn't tell us how much or when, so because we didn't know we went into debt with the council. We didn't even have to pay it because of the 1996 law so we got the money back.

- 3.10 From our survey work we found a mixed picture of how successful this work has been. Positively, 100 per cent of councils which own and manage housing, 90 per cent of housing associations, and 64 per cent of non-stock owning councils felt they had been effective at informing tenants and residents of the impact of the removal of the spare-room subsidy and introduction of the benefit cap in their area. However, of the tenants we surveyed a large proportion – 68 per cent – stated that they had not received any support from their landlords to address the impact of welfare reform and 47 per cent stated that they had not received any advice from anyone – [Exhibit 6](#).
- 3.11 Similarly, our tenants survey found a low awareness and knowledge on the **Your benefits are changing** helpline<sup>27</sup> amongst social-housing tenants. Only 16 per cent of those surveyed stated that they were aware of this service. The highest proportion was in mid Wales with a 37 per cent response rate and the lowest in North Wales at 11 per cent. This suggests there is significant scope to better promote and improve access to this important service.

**Exhibit 6 – Source of advice provided to tenants on options to deal with the removal of the spare-room subsidy**

Almost half of the 412 tenants we surveyed who are affected by the removal of the spare-room subsidy had not received advice to enable them to plan on how to deal with the removal of the spare-room subsidy.



Source: Wales Audit Office Tenants Survey, January to March 2014.

<sup>27</sup> The **Your Benefits are Changing** campaign has been set up and funded by Community Housing Cymru and RCT Homes. The service employs money advisors which provide advice on welfare reform and income maximisation, identifying which changes will affect individuals and families and provide possible solutions.

## Most landlords have revised their allocation scheme to give tenants affected by the removal of the spare-room subsidy priority to transfer and whilst 14 per cent of affected tenants have moved in the last year, the majority have not registered to transfer

- 3.12 Social housing is of enormous importance for the hundreds of thousands of families who currently live in it in Wales and for those who look to it to provide their home in future. Through the allocations process, social housing in Wales has been pivotal in meeting housing need and in providing accommodation for the most vulnerable people in society. Allocations and lettings are therefore key tasks for councils and housing associations. Within an allocations scheme, legislation and guidance direct councils and housing associations to give priority or reasonable preference to certain groups of people. These include:
- a people who are homeless or threatened with homelessness;
  - b people occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions;
  - c people who need to move on medical or welfare grounds; and
  - d people who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship due to, for instance, a need to access medical treatment or give or receive care.
- 3.13 However, one of the effects of limiting Housing Benefit payments for working-age households who underoccupy their home has been to create a large pool of people – over 30,000 families<sup>28</sup> – who potentially need to transfer and downsize their housing. This requires councils and housing associations to revise allocations schemes to provide these households with some priority in future lettings. It also means that demand for smaller housing is now increasing whilst demand for larger homes is reducing.

## The number of social-rented homes becoming vacant has halved in the last decade

- 3.14 At March 2013 there were 223,170 social-housing properties in Wales (88,239 council and 134,931 housing-association homes<sup>29</sup>). Making better use of the existing housing stock is therefore an important option for landlords to consider. However, councils and housing associations have little opportunity to transfer everyone who needs to move as a result of the removal of the spare-room subsidy, especially as the number of empty homes becoming available in Wales has fallen by 52 per cent in the last decade, from a high of 9,205 in 2001-02 to 4,381 in 2012-13 – [Exhibit 7](#).

<sup>28</sup> Department for Work and Pensions, [Housing Benefit Claimant Data, Single Housing Benefit Extract \(SHBE\)](#), via Stat-Xplore.  
<sup>29</sup> StatsWales, [HOUS0501: Dwelling Stock Estimates 2012-13](#).

### Exhibit 7 – Number of voids by year and landlord 2000-01 to 2012-13

The number of empty properties that councils and housing associations have available to let has halved in the last decade but is starting to increase again.



Source: StatsWales, HOUS1401: Vacancies by type of landlord 2000-01 to 2012-13.

3.15 Prioritising empty homes for letting to tenants who need to downsize will also mean a disproportionate number of smaller homes would need to become available to meet this specific need. Properties would also need to be located in the right geographical area and be suitable to meet the needs of the transferring family.

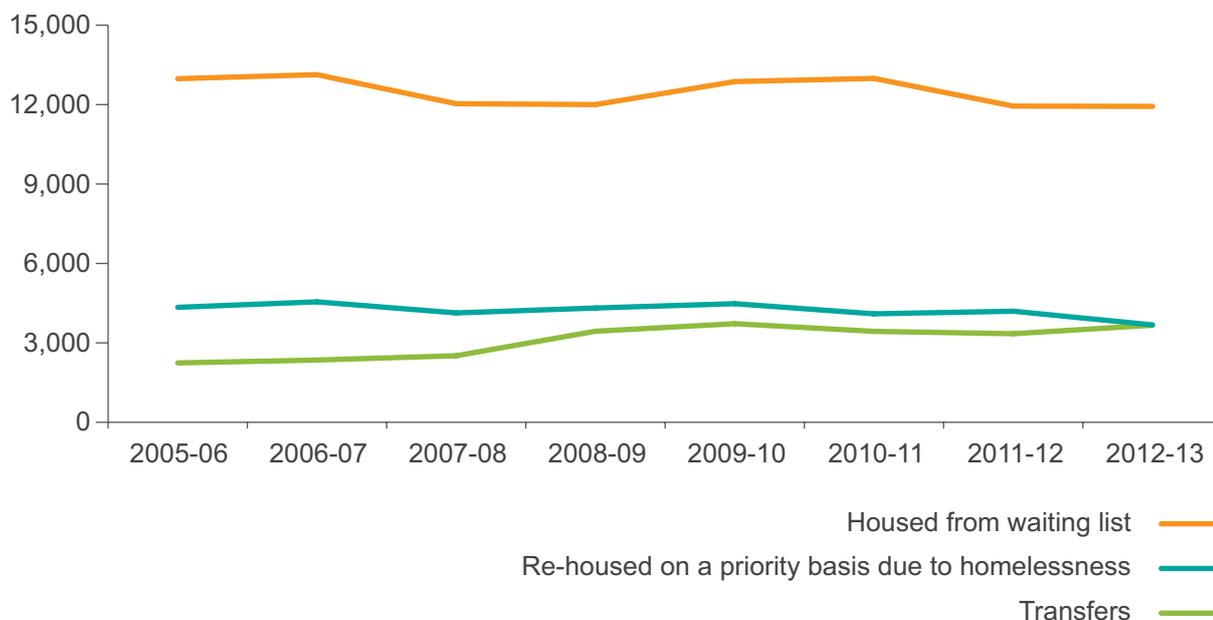
**Tenants affected by the removal of the spare-room subsidy are prioritised for transfer in most lettings schemes but the majority of tenants have not registered to move home and a large number of landlords intend to allow new tenants to under occupy their homes when letting empty properties**

3.16 Our survey of councils and housing associations found that 79 per cent of social-housing landlords in Wales had prioritised tenants who are disadvantaged by the removal of the spare-room subsidy to transfer to other accommodation, 11 per cent were planning to make these changes and only four per cent were not planning to revise their allocations policies.

3.17 In the last decade the number of lettings, including transfers, made by social-housing organisations in Wales has fluctuated between 18,677 lettings in 2007-08 to 21,073 in 2009-10 – [Exhibit 8](#).

### Exhibit 8 – Number of lettings by year and housing register group 2005-06 to 2011-12

The proportion of lettings made to transferring tenants, homeless households and people on the housing waiting list has remained broadly the same in recent years.



Source: StatsWales, HOUS1501: Number and type of lettings during the financial year, 2005-06 to 2012-13.

- 3.18 Proportionally, the distribution of lettings has remained broadly the same with roughly 20 per cent going to transferring tenants, 20 per cent to homeless households and the remaining 60 per cent to people on the housing register. To increase transfers above this figure would therefore constitute a significant change in housing policy for social-housing landlords and would have consequences on other priority-housing groups. Social-housing landlords would also have to promote transfers over other competing priorities such as homeless households or those needing to move on health grounds.
- 3.19 The majority of tenants affected by the removal of the spare-room subsidy have not transferred and there currently exists a 'mismatch' between household size and the availability of suitable homes in the social-rented sector for underoccupying Housing Benefit claimants to downsize into. In many areas of Wales there are an insufficient number of smaller homes to address the needs of tenants affected by the removal of the spare-room subsidy. It also means that there is a restriction on the supply of smaller housing that is available to address the housing needs of non-social-housing tenants including those who have significant housing need such as those fleeing domestic violence.

- 3.20 We also found that most tenants do not want to transfer. For example, our survey of councils found that of the 14,063 tenants affected by the removal of the spare-room subsidy in September 2013, only 3,667 (26 per cent) were registered to move. Likewise, our survey of tenants affected by the removal of the spare-room subsidy found that only 37 per cent of them had agreed or strongly agreed to the need to consider moving home; 58 per cent disagreed or strongly disagreed and did not intend moving; and five per cent were undecided at the time of the survey.
- 3.21 We found there are differences in approach between stock-holding councils and housing associations with regard to their decision on whether to allow prospective tenants to under occupy housing in the future. A majority of stock-owning councils in their allocations guidance – 64 per cent – still allow applicants to under occupy housing, compared to 23 per cent of housing associations. This means that that the number needing to downsize and who are affected by the removal of the spare-room subsidy could increase in some areas, and the time it will take to address the fallout of the policy and ensure all tenants live in homes that match their family’s needs will take longer to achieve. People in similar housing situations are also receiving different standards of service based on the preferences and decisions of their landlord and whom they apply to for assistance, not their housing need.

**There has been limited use of the private-rented sector by councils and housing associations to improve tenure mobility as a result of changes to Housing Benefits and a majority of tenants affected by the removal of the spare-room subsidy do not want to move to the private-rented sector**

- 3.22 Private-rented housing is playing an increasingly important and growing role in the housing market. The private-rented sector supports mobility, provides flexibility and is becoming an increasingly important alternative to social housing for many vulnerable people who are unable to secure accommodation from councils and housing associations.
- 3.23 In recent years the number of private-rented homes in Wales has doubled rising from 88,539 in 2001-02 to 189,610 in 2012-13<sup>30</sup>. The Welsh Government is proposing significant changes to improve both the quality and standard of private-rented accommodation and the tenure is increasingly seen as an important option to address housing need in the future. Indeed, the Welsh Government is planning to provide local authorities with the powers to discharge their statutory homelessness duty by securing private-rented accommodation for homeless applicants<sup>31</sup>.

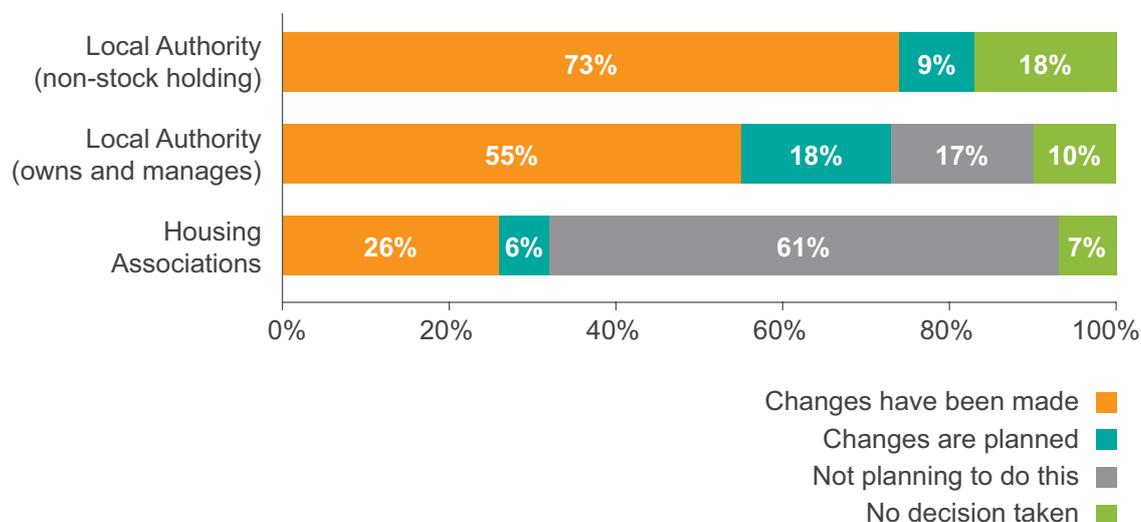
<sup>30</sup> StatsWales, HOUS0501: **Dwelling Stock Estimates 2001-02 to 2012-13**.

<sup>31</sup> National Assembly for Wales, **Communities, Equality and Local Government Committee, Housing (Wales) Bill: Stage 1 Committee Report**, March 2014.

- 3.24 Increased use of the private-rented sector is also seen as a possible option for some affected by the underoccupancy rules, principally because this tenure has a relatively high proportion of one-bedroom accommodation and because of the limitations on existing social-housing supply. Indeed, moving to the private-rented sector is identified as one of the options by the DWP in its impact assessment on underoccupation of social housing for families affected by the removal of the spare-room subsidy<sup>32</sup>.
- 3.25 However, our findings suggest that in many areas of Wales the private-rented sector is not a viable solution. In many communities social-housing landlords are in competition with private-sector landlords for tenants and do not actively encourage cross-tenure movement. In other areas we found that private-rental costs are significantly higher than social-housing rents and the properties are consequently out of the reach of many people who need to downsize. Some private landlords are also reluctant to rehouse social-housing tenants or nominees without some form of guarantor, the provision of bonds and the use of less secure forms of tenancy.
- 3.26 Our survey of councils and housing associations found that non-stock holding councils were the most positive about encouraging access to the private-rented sector and 73 per cent of these had undertaken work to promote access for those affected by changes in their Housing Benefit. Fifty-five per cent of stock-owning councils had encouraged use of the private-rented sector and a further 18 per cent were planning to do this. However, only 26 per cent of housing associations had undertaken work with their tenants to encourage access to private-rented housing and the majority – 61 per cent – had no plans to do this – [Exhibit 9](#).

**Exhibit 9 – Promoting access to the private-rented sector for those affected by the removal of the spare-room subsidy and/or introduction of the benefit cap**

There is a mixed picture as to how councils and housing associations are promoting access to the private-rented sector.



Source: Wales Audit Office Council and Housing Association Survey, January to March 2014.

32 Department for Work and Pensions, [Housing Benefit: Under occupation of social housing, Impact Assessment](#), June 2012.

3.27 In addition, many social-housing tenants affected by the removal of the spare-room subsidy do not want to be rehoused in private-rented properties. We held a series of focus groups with tenants and found that the majority see the private-rented sector as offering limited security of tenure and accommodation that is of poorer quality than social housing. Given this situation, the majority have elected to remain in their home and to seek to manage the reduction in their Housing Benefit.

### Most councils and housing associations are not actively promoting lodging schemes and there is very little support from tenants to take in lodgers

3.28 The welfare-reform minister has said on numerous occasions<sup>33</sup> that taking in lodgers could be a solution for social-housing tenants of working age affected by the removal of the spare-room subsidy. There has been a lot of discussion on the pros and cons of tenants taking in lodgers. Positively, lodgers are likely to cover any resulting shortfall in rent and thus enable tenants who under occupy their accommodation to remain in their home.

3.29 However, taking in a lodger needs careful consideration. Tenants need to ensure that they have their landlord's consent to take in a lodger as many consider it a breach if they do not obtain written permission. Tenants often do not have the right to take in lodgers, for example, if they are introductory tenants. Tenants will need to have a written agreement with the lodger, so that both parties understand the basis for letting the room, the notices required, rent payment methods and dates, and house rules. More importantly, tenants will also need to be cautious about letting strangers into their home and need to ensure some form of risk assessment of the lodger takes place before they agree to allow them to move in.

3.30 For landlords there is no requirement that they assist tenants to find lodgers. From our fieldwork we have identified approaches that range from councils and housing associations choosing not to promote lodger schemes because it is too complicated and that any potential benefits are far outweighed by the risks that it can create. Nonetheless, a number recognise the value of at least providing their tenants with information and advice to support them to make an informed decision<sup>34</sup>.

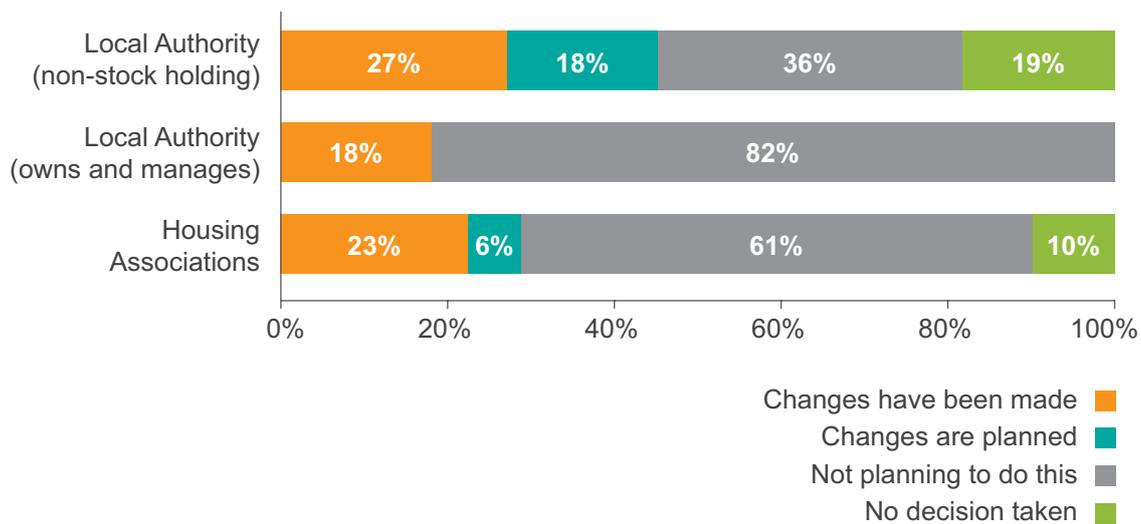
3.31 Our survey of councils and housing associations found that the majority of these organisations – 60 per cent – had no plans to encourage lodging schemes as a means of addressing the impact of the removal of the spare-room subsidy. Within this total, non-stock-holding councils are the most supportive of lodging schemes with 27 per cent encouraging these compared to 18 per cent of stock holding councils and 23 per cent of housing associations – [Exhibit 10](#). With regard to tenants, our survey found that 85 per cent have decided not to take in a lodger and only 12 per cent would consider this option.

<sup>33</sup> For example, [Inside Housing](#), July 20 2012

<sup>34</sup> For example, [Wales and West Housing Association](#)

**Exhibit 10 – Promoting lodging schemes for those affected by the removal of the spare-room subsidy and/or introduction of the benefit cap**

Most councils and housing associations have not actively encouraged tenants to take in lodgers.



Source: Wales Audit Office Council and Housing Association Survey, January to March 2014.

**There is increased demand for smaller homes to meet the needs of tenants affected by the removal of the spare-room subsidy but there has been little increase in the supply and availability of smaller housing and changes to existing accommodation have been limited**

**Investment in developing new housing is limited and it will take time to develop new properties**

3.32 With over 30,000 households in Wales needing to downsize, demand for smaller sized social housing has increased significantly in the last 12 months. Data produced by the DWP shows that in February 2014, 25,219 households lived in accommodation with one spare bedroom and 5,255 two or more spare bedrooms<sup>35</sup>. Whilst this has resulted in an increased demand for smaller housing, there has been no increase in the number of smaller social-landlord homes being built to address this increased demand.

<sup>35</sup> Department for Work and Pensions, **Housing Benefit Claimant Data, Single Housing Benefit Extract (SHBE)**, via Stat-Xplore, February 2014.

- 3.33 The main Social Housing Grant programme<sup>36</sup> budget has reduced significantly in recent years falling from £76.4 million in 2005-06 to £44.4 million in 2013-14. Positively, the Welsh Government invested an additional £20 million Social Housing Grant in 2013-14 and is planning to invest a further £20 million Social Housing Grant in 2014-15 and 2015-16 to develop smaller housing for those specifically affected by the removal of the spare-room subsidy. With Social Housing Grant accounting for 58 per cent of the total cost of developing a home, it is estimated that this £40 million will produce between 650 to 750 homes depending upon the size of property developed and its location in Wales<sup>37</sup>.
- 3.34 In addition, Section 106 of the Town and Country Planning Act 1990, allows local planning authorities to enter into a legally binding planning obligation or agreement with a developer over a related issue for the purpose of restricting or regulating the development or use of the land. Section 106 agreements commonly provide provisions for social and affordable housing on new developments. The builder provides these homes alongside the homes for sale in order to obtain local-authority approval for the development. Use of planning gain is therefore an important method by which councils can secure new affordable housing but only 23 per cent of councils and housing associations we surveyed stated that they are increasing the supply of smaller homes through planning gain.
- 3.35 Indeed, there is some reluctance amongst both councils and housing associations to change the focus of their development programme to increase the number of smaller homes produced. One-bedroom homes are generally seen by social housing landlords as an inflexible and ineffective housing solution. At one end of the age spectrum, one-bedroom properties are considered by social-housing landlords as short-sighted because the target group is likely to have children in the short to medium term and will be unable to grow into the accommodation. At the other end, as tenants become older their needs change and they often require additional space to accommodate carers or specialist equipment. This view is borne out by our survey of councils and housing associations which found that so far only 50 per cent of organisations had changed their Social Housing Grant (SHG) development programme to develop smaller housing. and many housing organisations are reluctant to construct large numbers of one-bedroom properties in order to address the downsizing issue.

### There has been little change to the existing social-housing stock since the introduction of the removal of the spare-room subsidy

- 3.36 Building new homes to address the impact of welfare reform accounts for only a small part of the potential options open to councils and housing associations. Making better use of the existing stock either through letting empty homes to tenants who need to downsize or investing capital monies to redesign properties is also an option.

<sup>36</sup> Social Housing Grant is a grant given to housing associations by the Welsh Government to provide new affordable housing for rent or low-cost home ownership and meets approximately 58 per cent of the cost of building a new home with the remainder coming from private finance.

<sup>37</sup> **Using the Acceptable Cost Guidance produced by the Welsh Government (Acceptable Cost Guidance/On-Costs for use with SHG Funded Housing in Wales**, Welsh Government, August 2012), the cost of a general-needs two-person one-bedroom flat ranges from £76,600 in band one areas to £98,100 in band five areas. For a four-person two-bedroom house the cost ranges from £113,800 in band-one areas to £162,200 in band five.

- 3.37 From our survey and fieldwork we also found little evidence that landlords are redeveloping accommodation to create smaller homes, demolishing or mothballing unlettable housing or selling empty properties. Only 21 per cent of housing organisations have reclassified homes to address the impact of the removal of the spare-room subsidy, 14 per cent were undertaking works to reduce the number of bedrooms but the majority – 57 per cent – had no plans to make any changes.
- 3.38 Of the 50 organisations that responded to our survey, 77 per cent have not decommissioned or mothballed any accommodation and 75 per cent have not demolished unlettable property and did not anticipate doing so in the future. We found that only two per cent of housing organisations have sold difficult-to-let homes and the bulk – 72 per cent – have no plans to dispose of difficult-to-let housing at this time. The overriding view of social-housing landlords is one of waiting to see the full impact of welfare reform before deciding strategically how to address their difficult-to-let voids.
- 3.39 With little option to support tenants to move and increasing difficulties for many tenants to manage with reduced income, all social landlords are clear of the importance of energy-saving advice and investing in their homes to make them more energy efficient. Not only will this improve the quality of the housing but it will also address rising fuel costs for tenants and support those on low income to manage their money and avoid rent arrears. However, from our survey we only found that 28 per cent of landlords are targeting energy-efficiency improvements to maximise household budgets for those specifically affected by the removal of the spare-room subsidy in their future capital programme works.



## There is a mixed picture of how councils and housing associations are supporting tenants affected by the removal of the spare-room subsidy into full-time employment

- 3.40 The UK Government wants people who live in social housing to participate fully in all areas of society. They are aware that the benefits of employment are greater than simply the financial gain from increased income. In 2007, the DWP published its independent report: Reducing dependency, increasing opportunity: options for the future of welfare to work. The report highlights that economic inactivity is closely correlated to social housing – with unemployment and inactivity rates nearly twice the national average. Over a third of all workless people in Great Britain live in social housing, and more than half the people in social housing are out of work<sup>38</sup>.
- 3.41 Research from the National Audit Office (NAO) suggests people from workless households face a range of barriers to employment<sup>39</sup>. The NAO has estimated that over one-third of workless households have no members with any qualifications; half of all adults living in workless households have some form of long-term disability; over 60 per cent of workless households have been workless for more than three years; and over one-third of workless households have children and caring responsibilities. Low skills combined with poor job-search skills and poor social networks have combined to make it difficult for tenants of social housing to gain and sustain employment.
- 3.42 Likewise, the Welsh Government sees the importance of increasing employment amongst social-housing tenants. Finding a job supports tenants to overcome financial exclusion; it helps to tackle issues such as child poverty and decreases the likelihood of tenants falling into rent arrears. Given this context, coupled with the reduction in Housing Benefit income, assisting those affected by the removal of the spare-room subsidy into employment is important for housing associations and councils.
- 3.43 Positively, a number of councils have an arrangement with Job Centre Plus to provide tenants with employment advice and support, either through a formal agreement identifying the respective roles of the organisations, or signposting tenants to these services. For example, we found that Pembrokeshire County Council staff meet quarterly with Job Centre staff and the Council refers tenants to Job Centre Plus for employment advice and support.
- 3.44 Other councils such as the City of Cardiff Council have developed information and advice hubs which are seeking to help people back into work with support on CV (curriculum vitae) drafting, completing job applications and training in interview skills. Similarly, Swansea City and County Council provides a weekly drop-in surgery where members of the public can access welfare-benefits advice and has engaged a financial-inclusion officer.

<sup>38</sup> Department for Work and Pensions Corporate Document Services, **Reducing dependency, increasing opportunity: options for the future of welfare to work**, 2007

<sup>39</sup> National Audit Office, **Helping people from workless households into work**, 2007

- 3.45 Our survey of councils and housing associations found that 40 per cent of councils and housing associations were providing tenants with access to training schemes to increase their prospects of employment and a further 31 per cent were planning to introduce this. Only 26 per cent of councils and housing associations did not plan to undertake this activity. Forty-eight per cent of councils and housing associations reported that they are targeting tenants with access to apprenticeships and a further 31 per cent were planning to do this. In only 19 per cent of councils and housing associations was this work not planned, whilst 12 per cent were undecided.
- 3.46 However, only 24 per cent of councils and housing associations had targeted tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes. Whilst a further 29 per cent were planning to do this in the future, a large proportion – 40 per cent – had no plans to do so.
- 3.47 In addition, the vast majority of tenants we contacted have not seen and do not expect to see, a change in their employment circumstances. Indeed whilst many tenants we spoke to and interviewed recognise that employment is the key option to address financial exclusion, it is not being actively pursued by a large proportion that has been affected by the removal of the spare-room subsidy. Our survey of tenants found that only 12 per cent are in full or part-time employment; 17 per cent are out of work and actively looking for a job; eight per cent are out of work and not looking for employment. The remaining 63 per cent classed themselves as unable to secure employment for a variety of reasons and did not anticipate working in the future.

### **Discretionary Housing Payments from the Department of Work and Pensions and the Welsh Government increased by £5.1 million in 2013-14 but the allocation, distribution, administration and use of these payments have significant inconsistencies and weaknesses**

- 3.48 One option for claimants experiencing a shortfall is to apply to the local authority for a Discretionary Housing Payment (DHP). The DHP is increasingly seen as an important source of funding to address the impact of the removal of the spare-room subsidy. For example, we found through our survey with councils and housing associations that since the introduction of the spare-room subsidy in April 2013, 91 per cent of councils managing housing have been promoting the use of DHPs with tenants and the remaining nine per cent are planning to do this. Similarly 90 per cent of housing associations are promoting access, six per cent are planning to do this and only four per cent are not planning to encourage tenants to apply for DHP. Likewise, all councils – 100 per cent – report a significant increase in the use of DHP compared to 77 per cent of housing associations.

- 3.49 To qualify for a DHP the only requirement is that there must be a shortfall between benefit entitlement and rent, but the council will usually take into account special circumstances that contribute to financial difficulties. DHP is a non-devolved, locally administered fund that can be used to help with housing costs. The core purpose of DHP is prescribed in the Discretionary Financial Assistance Regulations 2001, but the legislation gives councils very broad discretion. The DWP has consequently published additional guidance<sup>40</sup> which provides detail on how councils should administer payments. Notwithstanding, this guidance still provides a very broad framework with significant local discretion in how councils can choose to administer DHP.
- 3.50 Councils are not under any duty to make a DHP – they are generally not paid in perpetuity. Whilst DHP is provided to meet housing costs, these are not defined in the regulations, which gives councils broad discretion to interpret the term. In general, housing costs means rental liability but the guidance notes that they can also be interpreted more widely to include rent in advance; deposits; or other lump-sum costs associated with a housing need such as removal costs. However, because the fund is discretionary in nature, councils can elect to choose whether to interpret ‘housing costs’ in a wide or narrow way.
- 3.51 The regulations require that there must be a claim for DHP before a council can consider making a payment. However, the guidance notes that this does not necessarily mean that there has to be a written claim form and councils can choose to accept claims by other means, for example by telephone, or electronically. Although councils can decide what constitutes a claim, they have a duty to act consistently. This becomes very difficult when the application process has no prescribed minimum standards. A council’s decision on whether or not to award DHP must be notified to the claimant in writing as soon as is reasonably practical. The timescale for decisions is not however defined and is again left to the councils to determine.
- 3.52 Whilst this guidance gives councils significant discretion in how they can choose to administer DHP, it does make clear that they should be aware that their decisions must be made in accordance with ordinary principles of good decision making, i.e. administrative law. In particular, councils have a duty to act fairly, reasonably and consistently. Each case must be decided on its own merits, and council’s decision making should be consistent throughout the year. Because DHPs are discretionary, there are no appeal rights to a Social Security Tribunal, although the guidance notes that the right to a Judicial Review of a decision remains open to an applicant.

<sup>40</sup> Department of Works and Pensions, **Discretionary Housing Payments Guidance Manual – Including Local Authority Good Practice Guide**, April 2013.

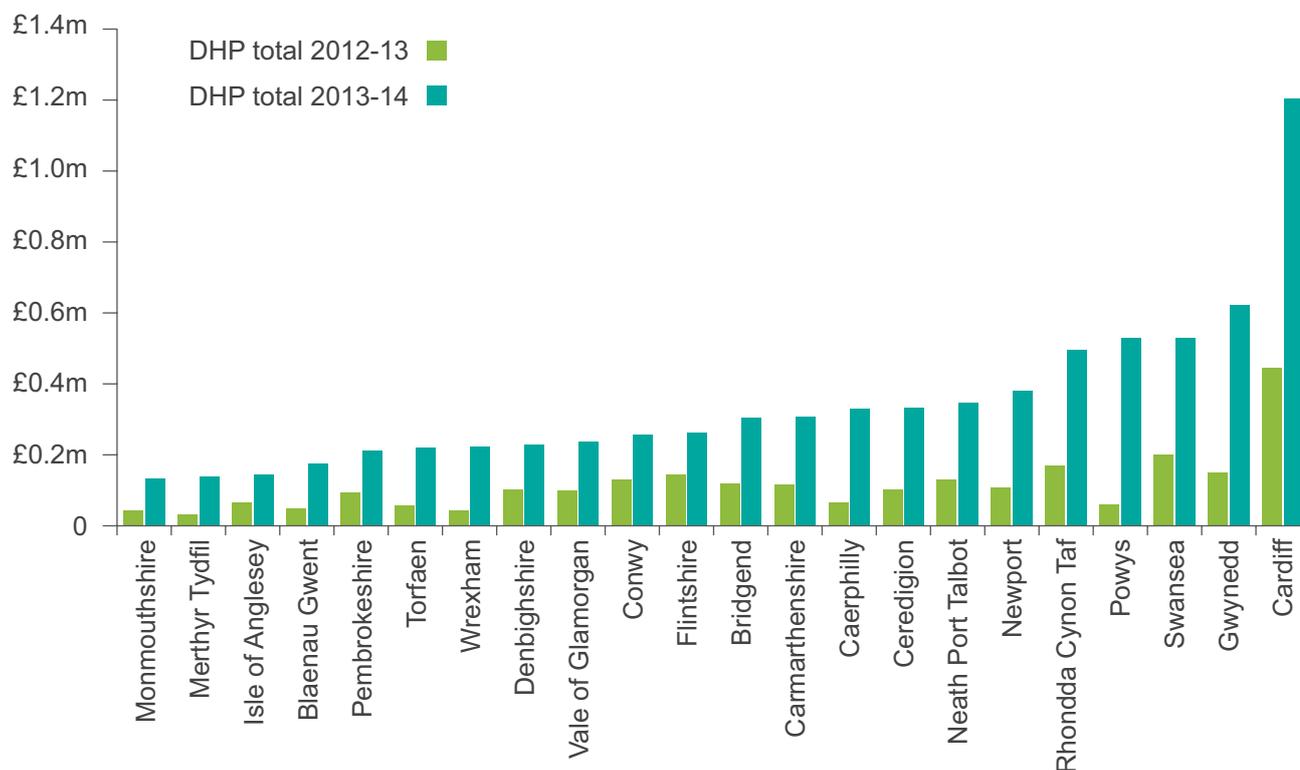
### The distribution of Discretionary Housing Payments by the DWP is not driven by need

3.53 Councils in Wales have DHP pots of considerably different sizes. This is due to the way the DWP allocates funding, according to a formula that essentially means the more that councils spend on Housing Benefit, the more allocation they get. If a council decides to top up the DWP allocation with their own funds – which they can do up to 2.5 times the DWP allocation – then they get more the following year. Conversely, if they elect not to spend the full DWP allocation they get a smaller amount the following year. Therefore, the size of the DHP allocation reflects the priority that councils have placed on making DHP available to the public, not the number of people in financial housing need and the range of housing costs a council considers eligible for assistance.

3.54 In the last two financial years the amount of money invested in DHP in Wales has risen by 304 per cent from £2.5 million in 2012-13 to £7.6 million in 2013-14 – Exhibit 11. This funding comes mostly from the DWP although for 2013-14 the Welsh Government also made available £1.3 million to top up the DHP budget of £5.3 million allocated by the DWP to Welsh councils. The funding has been also been prioritised by the DWP for councils covering rural areas.

#### Exhibit 11 – Discretionary Housing Payments in Wales 2012-13 and 2013-14

Over £7 million is now being spent on DHPs in Wales and the budget rose by 304 per cent between 2012-13 and 2013-14

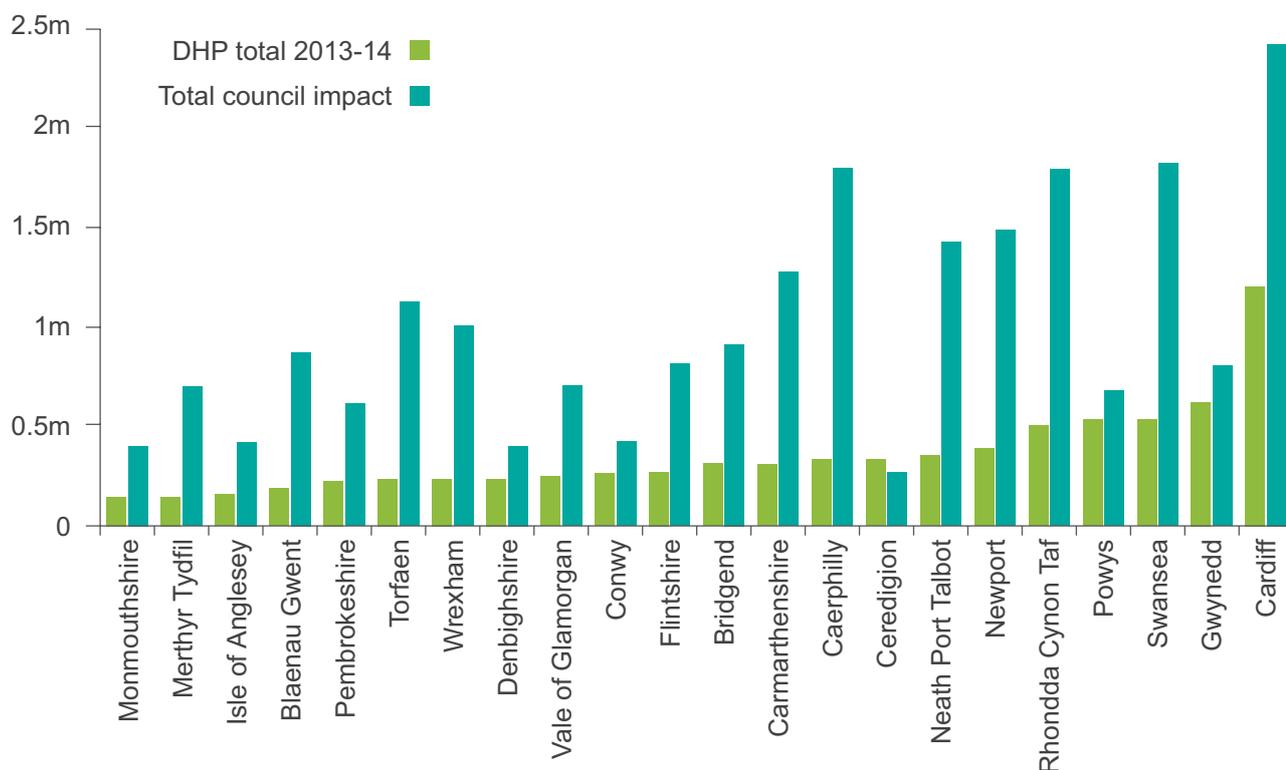


Source: Discretionary Housing Payments in Wales 2012-13 and 2013-14: Impacts of Welfare Reforms on the Social Rented Sector, Report of a Welsh Government Task and Finish Group, February 2014.

3.55 The distribution of DHP by number of claimants shows that the Welsh average DHP sum per claimant in 2013-14 was £30.56. Only four councils are currently providing DHP above this average and three are providing DHP at twice the Welsh average – Gwynedd, Ceredigion and Powys. Those councils with the smallest levels of DHP include some of Wales’ most deprived areas, with high levels of unemployment, poor health and significant housing need, such as Merthyr Tydfil and Blaenau Gwent. The DHP has consequently become more prominent as a source of assistance for social-housing tenants to apply for as a result of the removal of the spare-room subsidy and introduction of the benefit cap. Comparing DHP allocations with the numbers of people affected by the removal of the spare-room subsidy and introduction of the benefit cap shows that in December 2013 some 33,406 social-housing tenants were subject to these changes. The distribution of numbers affected ranged from 408 in Ceredigion to 3,301 in Cardiff – [Exhibit 12](#).

**Exhibit 12 – Number affected by the removal of the Spare Room Subsidy and introduction of the Benefit Cap by Council - December 2013**

There is a wide variation in the amount of DHPs councils have



Source: Discretionary Housing Payments in Wales 2012-13 and 2013-14: Impacts of Welfare Reforms on the Social Rented Sector, Report of a Welsh Government Task and Finish Group, February 2014.

- 3.56 Our analysis of the level of DHP spent by councils compared to the number of social-housing tenants affected by these changes shows that some of the councils with the lowest number of social-housing tenants affected by the benefit cap and the removal of the spare-room subsidy have some of the largest allocations of DHP. Ceredigion has the lowest number of people affected by these changes but the second highest proportion of spending. Likewise, Powys has the seventh lowest number and the third-highest proportion of DHP.
- 3.57 Paradoxically, some of the councils with the largest number of social-housing tenants affected by these changes have some of the lowest levels of DHP. Swansea, Rhondda Cynon Taf and Caerphilly have, respectively, the second, third and fourth-highest numbers of social-housing tenants affected by the benefit cap and the removal of the spare-room subsidy. However, in terms of proportion of spending to numbers affected, they are ranked eighth, seventh and second lowest respectively.

### There are inconsistencies and weaknesses in councils' administration of payments

- 3.58 The provision of good-quality accessible information on DHP is important if those who need assistance are to access the financial resources they are entitled to apply for. For councils to successfully deliver their statutory responsibilities in relation to DHP they need to have clear policies and application processes which are communicated widely and are focused on meeting the needs of the public. A well-designed, inclusive service is not effective if prospective users know nothing about it, or if it is described in ways that mean they do not recognise it as relevant to them.
- 3.59 Our review of councils' management of DHP found some significant weakness in current information and policy arrangements:
- a Seventeen of the 22 councils did not have a clear DHP policy or guide that is available online to the public, and 11 did not include an online DHP application form. The lack of customer-facing information and clear policy documentation being made available, limits the ability of those seeking assistance to secure assistance they are eligible to receive.
  - b In 13 of the 22 councils, eligible housing costs covered by DHP are not clearly defined or explained in application forms, policy documentation or applicant guidance leaflets. Similarly, 11 councils did not clearly define non-eligible housing costs. Without this information applicants are unclear what their prospects for assistance are, which may put them off applying.
  - c Although councils have discretion to award DHPs for any period (ie, fixed term or indefinitely), we found the conditions for payment of DHP varied significantly. These ranged from monies being made available for one day to and up to 12 months. In six councils, the maximum award period is 12 months; in three, the maximum is defined as six months; and in two, the maximum period is three months. However, 11 councils did not specify the length of time recipients would be eligible to receive DHP.

- d Twelve of the 22 councils did not clearly identify the timescale for making a decision on DHP applications. For those that did include this information, the decision timescale ranged from between 10 days to a month. Setting timescales is important for applicants as it provides them with critical information to be able to plan how to use their resources.
- e Four councils did not include any information on whether they offered a review or appeal if an applicant was dissatisfied with the council's original decision on their application. Of the 18 that have established review processes, only four included information on an applicant's right to a judicial review. The robustness of review processes also varied significantly with four offering two levels of review undertaken by officers, 12 have a one-stage officer-led review, and in two councils appeals were ultimately considered by a panel of councillors, not officers.

3.60 Given the increase in resources and large numbers of people in need of financial assistance it is appropriate for councils to clearly set out the relative priority between different groups when they decide on whether to allocate DHP in their area. Indeed, the DWP guidance notes that councils will need to consider how best to 'target the funding within your (council) priority groups'. The guidance provides a list of potential clients that could be given priority. These included:

- a young people leaving local authority care;
- b families with a social-services intervention, for example, highly dependent adults, children at risk or involvement in a family-intervention project;
- c people who have had to flee domestic violence or have moved because of the threat of violence in another area;
- d where someone in the household is expecting a baby (including those currently in shared accommodation or subject to an underoccupation reduction);
- e ex-homeless people being supported to settle in the community; or
- f where the claimant or someone in their household has a disability that requires them to have a larger property than would usually be the case for the size of their household due to, for example, a medical condition that might mean they are unable to share a bedroom.

3.61 However, we found that very few Welsh councils have clearly defined their priorities in their public-facing literature. This shortcoming makes it difficult for those seeking assistance, and those agencies supporting them, to assess whether DHP is a viable option to address their housing and financial needs in the short term. The current lack of detail on local priorities also makes it challenging for councils to ensure they act consistently in their decision making, one of the key requirements of DWP guidance.

- 3.62 Limitations in public literature and local variations in policy mean that people in housing need and struggling with their rent can receive very different standards of service simply because of the formula for distribution of DHP. In addition, because councils have significant discretion in how they choose to administer their DHP allocation, people with the same need can receive very different standards of service simply because of where they live and not because of their circumstances or needs.
- 3.63 This is borne out by the tenants we surveyed where only 24.3 per cent had successfully applied for and been allocated DHP, and the feedback we received from tenants highlights significant variations in the quality and standard of service people are receiving.



Last year someone came to see me to help me apply for the Discretionary Housing Payments. They said that I didn't need to pay the amount owing because I would definitely qualify for the DHP. My claim was rejected, but I never followed it up. I'm now £500 in arrears and I'm facing eviction.

He's excellent. He filled out the forms for me and I got the DHP which is until March. If I have any problems I ring him up and he helps me. He suggests to me any new things he's heard of, that might help me. He suggested downsizing, but there's no 1-beds available to move into.

The landlord offered advice on why it was there and told me my options for dealing with it; such as moving home. He didn't mention the Discretionary Housing Payments.

They do as much they can to support me, they went through all the rules and regulations and pointed me in the direction of DHP which I used for a few months. They discussed my moving options but their hands are tied as well, it isn't their fault as there are no properties suitable.

Just sent out leaflets, was refused DHP by council. Housing Association helped us to get the money back, we got it refunded, but not sure now in April if we will have to start paying it again.

## Part 4

Councils and housing associations report having to increase expenditure to deal with some of the impacts of welfare reform and future changes will significantly increase the risks they face



- 4.1 The Welfare Reform Act (March 2012) confirmed a number of changes to the benefits system to take place between 2013 and 2017 which the UK Government believes will reduce expenditure on Housing Benefit. In the previous section of this report we have noted that these changes have led to a significant reduction in housing-related and other benefits for many social-housing tenants.
- 4.2 In this final part of the report we consider the impact of these changes on the direct operating environment of councils and housing associations and the rising concern that far from producing savings, there have been potential extra net costs to tenants, landlords, local authorities, health authorities and the voluntary sector.

### **Social-housing landlords tell us that managing empty homes and collecting rent requires greater investment in resources**

- 4.3 Welfare reform is having significant effects on councils and social-housing landlords. From our fieldwork we found that many councils and housing associations now have to provide more information, advice on jobs and benefits, tackling fuel poverty and meeting crises through hardship funds and support for food banks. They increasingly advise tenants about juggling rent, Council Tax payments, and food and energy bills. Many of these changes have also required councils and housing associations to invest more time and resources into front line services and core housing-management work is now more time-consuming. In particular, housing providers have to check more rigorously whether new applicants can afford the rent.
- 4.4 From our survey of councils and housing associations we found that as a result of the removal of the spare-room subsidy 36 per cent of landlords have seen a significant increase in their costs for managing rent arrears; 38 per cent a slight increase in management costs; and 26 per cent reported no change. In addition, 33 per cent have had to recruit significant numbers of new staff to manage the impact of the removal of the spare-room subsidy; 45 per cent have seen a slight increase in staff numbers; and 22 per cent have not recruited staff as a result of Housing Benefit changes.
- 4.5 With regard to managing and letting empty homes our research found that 26 per cent of social-housing landlords have seen a significant increase in the number of voids, 48 per cent a slight increase and 26 per cent no change. The drivers for letting housing for many landlords have, however, significantly changed from not just addressing housing need but to ensuring the accommodation is affordable and falls within the Housing Benefit property-size criteria guidance.

- 4.6 To ensure the viability of a letting, social landlords are consequently intensifying their scrutiny of new tenants' finances and there is a fear amongst advice agencies that some of the poorest applicants (whether in work or not) are being rejected and told to apply elsewhere. The decision on who to accommodate is therefore no longer just about helping those in greatest need but those who present a low payment risk and can afford to rent a home in the medium-to-long term.
- 4.7 Housing Benefits changes are also raising concerns among social-housing providers about the potential for increases in rent arrears. We found that no landlord has changed the types of tenancies they use to let housing to make properties less secure as a result of welfare reform but the majority had revised their policies for managing and tackling rent arrears.
- 4.8 The majority of landlords also expressed concern that managing rent accounts is now far more labour intensive than in the past and had required the introduction of more staff who need to have more frequent in-depth personal contact with tenants. This had resulted in new approaches being required and a cultural shift for landlords to balance lettings decisions on meeting housing need but also focusing more on managing income and minimising debt.
- 4.9 Staff now require very different skills with more of a focus on intensive debt management, rent recovery and money-advice work. This is borne out by our survey of social-housing landlords which found that all organisations have either established or are planning to introduce a financial-inclusion assessment at the start of each new tenancy to ensure tenants are accessing all the benefits they are entitled to. Similarly all landlords are promoting and supporting tenants to access and use credit unions for their tenants.
- 4.10 We also found that 43 per cent of social-housing providers in Wales had reviewed eviction policies and procedures to speed up and tackle rent arrears more quickly from those disadvantaged by the removal of the spare-room subsidy and a further 17 per cent were planning to introduce changes. Only 36 per cent of landlords were not planning to change rent-arrears management policies. Likewise, 84 per cent of social-housing landlords had undertaken work or were planning to undertake work to encourage more efficient and regular ways for tenants to pay their rent such as direct-debit payments. However, we found that only 88 per cent of tenants had an account that can make and receive automated payments such as a bank account, credit union account or Post Office card account, and a significant proportion – 21 per cent – still paid their rent in cash.

## Rent arrears of current social-housing tenants increased by £5.3 million and the number of tenants in arrears by 23.3 per cent between April and October 2013

- 4.11 Our survey of councils found that in the first six months of the removal of the spare-room subsidy (1 April 2013 to 30 September 2013) gross rent arrears for the 11 stock-retaining councils increased by 19.7 per cent rising from £11.117 million to £13.847 million. Within this figure current-tenant arrears increased from £6.611 million to £8.693 million and former-tenants arrears from £4.506 million to £5.153 million.
- 4.12 With regard to housing associations we found that gross rent arrears for the 34 major housing associations had risen by 25.8 per cent from £17.383 million to £21.869 million. Current housing-association-tenant arrears had increased from £12.406 million to £15.643 million and former-tenant arrears from £6.436 million to £7.372 million.
- 4.13 There has also been a 15.6 per cent increase in the number of council tenants in arrears rising from 32,507 in April 2013 to 37,596 at the end of September 2013. The number of housing-association tenancy accounts in arrears likewise rose by 22.5 per cent from 42,980 to 55,508.
- 4.14 Of the 14,063 council tenants affected by the removal of the spare-room subsidy we found that 51.2 per cent are paying rent in full; 24.3 per cent are paying part of the rent shortfall; and 24.5 per cent are not making any contribution to address the reduction in Housing Benefit. With regard to the 18,928 housing-association tenants affected by the removal of the spare-room subsidy we found that 52 per cent are paying rent in full; 39.5 per cent are meeting part of the rent shortfall resulting from the reduction in Housing Benefits; and 8.5 per cent were not paying anything.
- 4.15 In terms of evictions, the majority of landlords – 74 per cent – noted that the removal of the spare-room subsidy has not resulted in any changes to their performance on evictions. Only 17 per cent of social-housing landlords have seen an increase in activity, although this is balanced by a reduction in nine per cent of landlords.
- 4.16 Likewise, on service charges – the charge that each tenant makes for the repair and maintenance of shared areas – we found little change<sup>41</sup>. Only seven per cent of councils and housing associations had reduced service charges to make rents more affordable and 10 per cent are planning to review their service charges. However, the vast majority of councils and housing associations – 81 per cent – had no plan to change service charges as a result of the removal of the spare-room subsidy and two per cent had made no decision at this time.

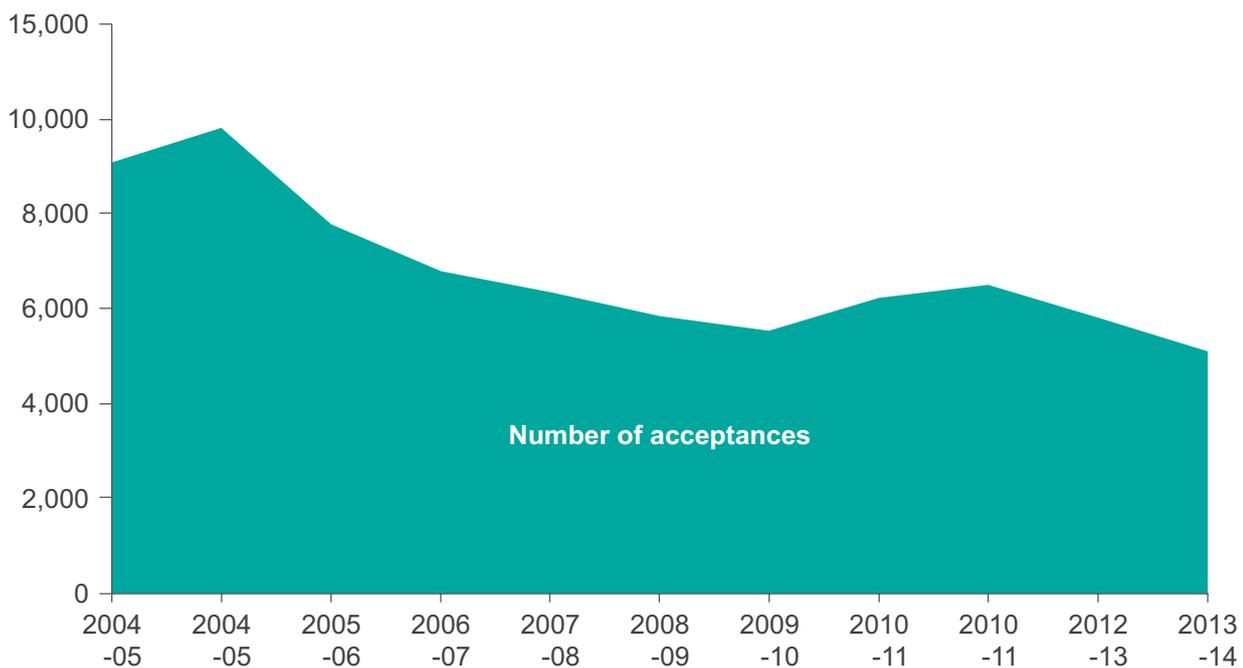
<sup>41</sup> Service charges are made to residents where a property benefits from a specific service, such as estate gardening, maintenance of estate, lighting or cleaning of hallways in blocks of flats. The service charge is separate from the standard weekly rent but is usually collected and increased at the same time as the rent. The amount of the charge is usually based upon the actual cost that the landlord pays for the services plus a small management charge for the organisation of the service contracts.

**There has been no increase in homelessness acceptances but 50 per cent of councils report that demand for temporary accommodation is increasing and 41 per cent that some homeless people are waiting longer in temporary accommodation to be rehoused**

4.17 From our fieldwork we found that the majority of councils had not experienced an increase in homelessness presentations and acceptances as a result of welfare reform, and the recent downward trend in homelessness acceptances is continuing – **Exhibit 13**. From our survey of councils and housing associations only five per cent of respondents had experienced an increase in the number of homeless cases as a result of the removal of the spare-room subsidy.

**Exhibit 13 – Households accepted as homeless 2005-06 to 2013-14**

Homelessness acceptances in Wales continue to fall



Source: StatsWales, HOUS0404: Households accepted as homeless by priority need and household type 2003-04 to 2013-14.

- 4.18 Whilst **Exhibit 13** shows continued improvement in homelessness acceptances, councils did note a number of significant impacts upon their services as a result of welfare reform. Some 27 per cent of councils were also planning to increase their homelessness budgets to deal with the expected increase in presentations as a result of the removal of the spare-room subsidy. The majority of councils (76 per cent) were also changing their homelessness prevention<sup>42</sup> services to meet the anticipated increase in homelessness from those affected by the removal of the spare-room subsidy who have been evicted for rent arrears.
- 4.19 Our survey of councils and housing associations found that 41 per cent of them reported increasing challenges in moving homeless people on from temporary accommodation to permanent social housing, especially those requiring smaller sized accommodation. The increase in demand for smaller housing from those affected by the removal of the spare-room subsidy is resulting in homeless people having to occupy temporary accommodation for longer periods at an additional cost to the council. We also found that 27 per cent of councils were already taking steps to increase the supply of temporary accommodation to meet the expected increase in homelessness and a further 23 per cent were planning to increase temporary accommodation. Only 32 per cent of councils were not planning to increase their supply of temporary accommodation.
- 4.20 Many councils also fear that because of the pressure on landlords to transfer tenants affected by the removal of the spare-room subsidy homeless people will have less priority than in the past as landlords have sought to downsize tenants as a priority over other groups in housing need. The choice of accommodation for homeless people is also becoming more restrictive, especially for those requiring smaller housing, because of the demands from transferring tenants affected by the removal of the spare-room subsidy.

### **The planned roll out of Universal Credit and direct payment of benefits to tenants will increase the risks that councils and housing associations have to address**

- 4.21 While councils and housing associations have revised many services and continue to plan further refinements, the challenges around Universal Credit and direct payment of benefits to the claimant are seen as major risks by councils and housing associations. Under Universal Credit, due to be phased in up until October 2017, working-age tenants will receive a single monthly payment directly from the DWP. This will include their support for housing costs. This is a major departure from the current arrangements, under which many social tenants have their Housing Benefit paid directly to their landlord and receive other benefits weekly or fortnightly.

<sup>42</sup> Work undertaken by councils and other agencies to prevent someone either losing their home or becoming homeless and which can cover a broad range of options – rent in advance or provision of bonds, for example.

- 4.22 The change is designed to simplify the very complex Housing Benefit system and give tenants additional responsibility over their finances. However, the proposal has caused concern among social-housing providers who fear that chasing payments from individual tenants, rather than receiving them automatically from the state, will lead to an increase in arrears.
- 4.23 The UK Government has announced that pensioners will be excluded from Universal Credit and residents of 'exempt' supported housing will have their help with housing costs provided outside of Universal Credit. This means that both groups of tenants will be able to continue to have their Housing Benefit paid direct to their landlord. The DWP has also accepted that there are some working-age people who will not be capable of managing a monthly payment, and for whom direct payments to the landlord will remain appropriate, and plans to create a mechanism within Universal Credit to facilitate the payment of benefit direct to the landlord once someone is identified as vulnerable.
- 4.24 Councils and housing associations in Wales believe that the category of 'vulnerable' claimants to be awarded exceptions under Universal Credit needs to be drawn broadly to include residents with problematic credit and debt problems as well as those with health problems or a disability that make money management difficult.
- 4.25 The UK Government launched six demonstration projects, running from June 2012 to December 2013, to prepare for these changes. The projects tested how claimants could manage monthly payments of Housing Benefit ahead of the introduction of Universal Credit. They also looked at the appropriate level of safeguards needed to help secure landlord income streams if tenants fall behind on their rent. One of the pilot projects was in Wales between Torfaen County Borough Council; Bron Afon Community Housing; and Charter Housing. The experience of the Welsh pilot found that<sup>43</sup>:
- a Engaging with and assessing the needs of tenants during the process of transition to direct payments is resource intensive for landlords.
  - b Effective data sharing with the housing benefit authority is vital if landlords are to intervene early and provide vulnerable tenants with timely support.
  - c Tenants prefer face-to-face support so the role of support partners in the project is crucial.
  - d Landlords' service-delivery structures and IT systems must change if they are to effectively manage direct payments.
  - e A large proportion of tenants in the pilot – 34 per cent – were unable to manage with direct payments and had to be switched back to Housing Benefit being paid directly to the landlord, and the landlords considered that nine in every ten of these cases would meet the DWP's proposed guidelines for alternative payment arrangements under Universal Credit.

43 Welsh Housing Quarterly, **A year of Welfare Reform – Direct Influence**, Issue 94, March 2014.

- f Twenty-five per cent of tenants said they were classed as suffering from some form of stress or anxiety because of direct payments in research undertaken before direct payments began. Cases such as these featured significantly in those tenants subsequently switched back to landlord payment.

4.26 Many councils and housing associations have raised concerns with us over potential cost increases following the introduction of direct payments. Landlords have noted that the direct transactions every month are largely automated. Under the current Housing Benefit regime, information is managed the same way as automatic payments, through the exchange of schedules. With local authorities taken out of the equation in the future, it is not clear how DWP will obtain the data without adding to both their costs and those of social-housing landlords. If direct payment of Housing Benefit ends, councils and housing association landlords will also have to employ significant numbers of people to manage this process. The introduction of direct payments will also be adding a significant element of risk to almost three-quarters of a landlord's rental income. Combined with the evidence presented by pilots, the changes introduced by Universal Credit for many social housing landlords paint an undesirable picture of increased operational and administrative costs and present risks to the financial viability of organisations.

# Appendices

## Appendix 1 - Methodology



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## Review of literature, data and statistics

We have reviewed a wide range of documents and media, including:

- Department of Work and Pensions impact assessments, policy and guidance documents.
- Welsh Government policy and guidance documents.
- Information published by the Department of Communities and Local Government in England.
- Data published by the Scottish Government.
- Returns from local authorities and housing associations to StatsWales.
- Relevant research and guidance from the Chartered Institute of Housing, Community Housing Cymru, the National Housing Federation, the Trussell Trust, Chwarae Teg, Kellogg's, and the Joseph Rowntree Foundation.

## Local authority fieldwork

We visited nine local authorities during December 2013 to March 2014. Those selected also include those councils which retain a direct landlord role. We visited the following nine local authorities.

- City of Cardiff Council
- City and County of Swansea
- Caerphilly County Borough Council
- Denbighshire County Council
- Newport City Council
- Pembrokeshire County Council
- Powys County Council
- Vale of Glamorgan Council
- Wrexham County Borough Council

During the visits, we interviewed the following local-authority staff: Housing Benefit Managers, Section 151 Officers, Heads of Finance, Heads of Housing, Housing Managers, Homelessness Managers, Anti-Poverty Officers and Supporting People Managers.

## Other fieldwork

Between December 2013 and March 2014 we also interviewed staff at the following housing associations: Bron Afon Housing Association, Linc Cymru, Newport City Homes, Valleys to Coast, and Wales and West Housing Association.

We also interviewed the following:

- Amanda Oliver, Community Housing Cymru
- Nina Longrish, TPAS Cymru
- Tamsin Stirling, Special Policy Advisor to the Minister for Housing and Communities
- Karl Thomas, Head of Welfare Reform, Welsh Government
- Geoff Marlow, Welsh Government Housing
- Simon Protheroe, Welsh Government Housing
- Jenny Bibbey, Shelter Cymru
- Jamie Sole, Cuts Watch Cymru
- Lindsey Kearton, Citizens Advice Cymru
- Alicija Zalensiska, Tai Pawb
- Steve Clarke, Welsh Tenants

We also held two focus groups with tenant representatives in West Wales and South Wales that were organised on our behalf by Welsh Tenants.

## Local Authority Survey

We completed a survey of all local authorities and received detailed replies from all 22 authorities.

## Housing Association Survey

We completed a survey of all major housing associations in Wales which manage and let general-needs social housing and received responses from the following 28 housing associations, 82 per cent of those we surveyed:

- Bro Myrddin Housing Association
- Bron Afon Housing Association
- Cadwyn Housing
- Cardiff Community Housing Association
- Cartrefi Conwy
- Charter Housing Association
- Coastal Housing Group

- Gwalia Housing Group
- Hafod Housing Association
- Linc Cymru
- Melin Homes
- Merthyr Tydfil Housing Association
- Merthyr Valleys Homes
- Mid Wales Housing Association
- Monmouthshire Housing Association
- Newport City Homes
- Newydd Housing
- North Wales Housing Association
- Pembrokeshire Housing Association
- Pennaf Housing Group
- Taff Housing Association
- Tai Calon
- Tai Ceredigion
- Tai Clwyd Housing Association
- Tai Eryri Housing Association
- United Welsh Housing Association
- V2C Housing Association
- Wales & West

The following six housing associations elected not to participate in our study:

- Cartrefi Cymunedol Gwynedd
- Cymdeithas Tai Cantref
- Cynon Taf Community Housing Group
- NPT Homes
- RCT Homes
- Rhondda Housing Association

## Tenants Survey

We also completed a telephone survey between January and March 2014 with 412 randomly selected Welsh social-housing tenants evenly spread across Wales and landlord type who are affected by the removal of the spare-room subsidy and/or introduction of the benefit cap. This work was delivered jointly with Community Housing Cymru.

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