

**National Assembly for Wales**  
Public Accounts Committee

# Responding to Welfare Reform in Wales

July 2015

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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# Public Accounts Committee

The Committee was established on 22 June 2011. The role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to Welsh Government expenditure. The specific functions of the Committee are set out in Standing Order 18. The Committee will consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

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## Current Committee membership:



**Darren Millar (Chair)**  
Welsh Conservatives  
Clwyd West



**Mohammad Asghar**  
Welsh Conservatives  
South Wales East



**Jocelyn Davies**  
Plaid Cymru  
South Wales East



**Mike Hedges**  
Welsh Labour  
Swansea East



**Sandy Mewies**  
Welsh Labour  
Delyn



**Julie Morgan**  
Welsh Labour  
Cardiff North



**Jenny Rathbone**  
Welsh Labour  
Cardiff Central



**Aled Roberts**  
Welsh Liberal Democrats  
North Wales

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The following Member was also a member of the Committee during the inquiry



**William Graham**  
Welsh Conservatives  
South Wales East

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## Chair's Foreword

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Unusually for the National Assembly's Public Accounts Committee, this report deals with the implications of a non-devolved policy and its impact on devolved services. Bringing down the overall cost of welfare has been a priority for the Westminster Government in reducing the public deficit, and has resulted in fundamental changes to the benefits system with strong implications for the housing sector in Wales.

The removal of the spare room subsidy has given an impetus for social housing providers to deliver housing that is more responsive to the changing benefits landscape and more appropriate for tenants' needs. There is also a need to ensure that social housing tenants are better informed as to how they will be affected by changes in order that they can be empowered to make the best decisions for them and their families.

The decentralisation of decision-making in the United Kingdom makes it more difficult to fully establish the full impact of policy decisions. In this report, we discuss some examples of the implementing policy decisions which may have cost the public purse more than the savings which were anticipated by decision makers.

This report also considers how the Welsh Government, local authorities, social landlords and advice providers have adapted to the challenge of a new welfare regime, and sets out a number of recommendations which seek to improve their response to future changes and a better prepared to anticipate their impact.

The Committee heard evidence that the Welsh Government could have taken more of a leadership role to ensure the consequences of welfare reform were better understood and responded to within Wales so that local authorities and social landlords could support their tenants.

But regardless of whether changes to the welfare system are supported by Welsh public bodies or not, they still have a responsibility adapt to those changes and to do so efficiently whilst still serving the public to the best of their ability. Ultimately, when service delivery is disrupted by political disagreements or failure to collaborate or respond quickly enough, it is social tenants and the more vulnerable in society who suffer.

Darren Millar AM  
Chair

## Recommendations

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**Recommendation 1.** The Committee recommends that the Welsh Government develops a strategy to manage the impact of welfare reform where it has reduced welfare payments in Wales. This should identify best practice, provide coherent leadership and increase consistency between the approach taken by local authorities, housing associations and the third sector to welfare reform. (Page 14)

**Recommendation 2.** The Committee recommends that the Welsh Government publish the suite of options considered by the Ministerial Task and Finish Group for responding to welfare reform. This should include a cost/benefit analysis of mitigating the full impact of the removal of the spare room subsidy through discretionary housing payments, as the Scottish Government chose to do. (Page 14)

**Recommendation 3.** The Committee recommends that the Welsh Government collects and evaluates key data from the Department for Work and Pensions, local authorities and housing associations in relation to:

- the profile of Housing Benefit recipients in Wales;
- rent shortfalls;
- debt collection costs;
- referrals to food banks and advice services;
- the number of financial capability assessments carried out; and
- information from tenants on the personal impact of welfare reform.

This should also include information on the removal of the spare room subsidy to identify how many tenants have moved or lost their home, transferred to another social housing property or into the private rented sector, and no longer claim Housing Benefit. (Page 15)

**Recommendation 4.** The Committee recommends that the Welsh Government undertakes a modelling exercise on the future profile of the social housing market and its needs. (Page 21)

**Recommendation 5.** The Committee recommends that the Welsh Government should undertake a cost/benefit analysis of providing Discretionary Housing Payments to tenants with disabilities in significantly adapted homes. (Page 22)



**Recommendation 6.** The Committee recommends that the Welsh Government should evaluate the use and disposal of void properties. (Page 22)

**Recommendation 7.** The Committee recommends that the Welsh Government explores how widespread the practice of converting larger social housing into shared accommodation is, and whether regulation is required to ensure that housing standards are acceptable. (Page 22)

**Recommendation 8.** The Committee recommends that the Welsh Government monitor the impact of financial capability assessments and undertake research into the profile of applicants who fail them. (Page 26)

**Recommendation 9.** The Committee recommends that the Welsh Government takes action to ensure that social landlords cannot prevent tenants from transferring to smaller properties if they have arrears which have arisen as a result of the removal of the spare room subsidy. (Page 26)

**Recommendation 10.** The Committee recommends that the Welsh Government undertakes an audit of social housing evictions and the outcomes for households post-eviction. (Page 26)

**Recommendation 11.** The Committee recommends that the Welsh Government should review its policies for social housing landlords and provide guidance to ensure those in the greatest housing need are being assisted, regardless of financial means. (Page 26)

**Recommendation 12.** The Committee recommends that the Welsh Government should consider providing the advice services sector with a longer-term funding proposal so services can be planned more effectively. (Page 30)

**Recommendation 13.** The Committee recommends that the National Advice Network evaluate the balance of advice provision between social landlords and independent services, including surveying tenants to identify their accessing of advice services and savings made from use of advice services. This should also include an evaluation of the services lost as a consequence of reduced funding for advice services. (Page 31)

**Recommendation 14.** The Committee recommends that the Welsh Government exercises greater influence to ensure a consistent approach to the use of discretionary housing payments across Wales. (Page 36)

**Recommendation 15.** The Committee recommends that the Welsh Government monitors and publishes the uptake of discretionary housing payments in Wales, including how local authorities and social landlords inform tenants of the availability of payments and the information provided to unsuccessful applicants. (Page 36)

**Recommendation 16.** The Committee recommends that the Welsh Government requires all local authorities and housing associations to publicise discretionary housing payments, including the associated eligibility criteria. They should also ensure that disability-related benefits are not used in income calculations, and explain why they have not made use of Discretionary Housing Payments where appropriate. (Page 36)

**Recommendation 17.** The Committee recommends that the Welsh Government takes an early view of the likely impact of changes in the welfare system, including the recently-announced changes for Housing Benefit eligibility for 18-21 year olds, and consults early and widely on its proposed response. (Page 39)

# 1. Introduction

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1. In January 2015, the Auditor General for Wales (‘the Auditor General’) published a report *Managing the Impact of Welfare Reform Changes On Social Housing Tenants in Wales*.<sup>1</sup> The report examined the impact of welfare reform changes on social housing tenants in Wales and found that the changes to Housing Benefit introduced by the welfare reform programme were having a significant impact on Welsh councils and housing associations, who were struggling to deliver effective and sustainable solutions to address the challenges they face.

2. The Auditor General’s report sets out that the Welfare Reform Act 2012<sup>2</sup> represented a significant change to the administration and distribution of benefits. This was the first major stage in an agenda of reform that will culminate in the full roll-out of Universal Credit by 2017.

3. The major focus of the UK Government’s reforms covered by the Auditor General’s report were the changes to Housing Benefit. Over recent years, numbers claiming Housing Benefit in Great Britain had increased significantly, with an increase in Wales of five per cent from 156, 388 in February 2009 to 164, 376 in February 2014. Although welfare is not currently devolved, the outcome of welfare reform affects many devolved public services.

4. The main welfare reforms affecting social housing tenants are:

- the removal of the spare room subsidy<sup>3</sup> – 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% if they have one spare room and 25% if they have two or more;
- the household benefit cap – imposing a limit to benefit claims for out-of-work working-age households;
- Universal Credit – introducing a single monthly integrated benefit for working age households, both in and out of work, paid directly to

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<sup>1</sup> Auditor General for Wales Report - [Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales](#), January 2015

<sup>2</sup> [Welfare Reform Act 2012](#)

<sup>3</sup> The removal of the spare room subsidy is sometimes referred to as the bedroom tax. Throughout this report, the first formulation has been used. Households with a spare room are described as ‘under-occupying’, which is also used in this report.

claimants. This is being piloted at present, with phased roll-out to conclude by 2017;

- changes and cuts to support for Council Tax, devolving power to local authorities to design and administer this benefit.

5. Of these four changes, the most noticeable in Wales to date has been the removal of the spare room subsidy, which was the focus of much of the Committee's work.

6. The Auditor General's report found that a greater proportion of social housing tenants were being affected by the changes to Housing Benefit in Wales than were in Scotland or England. Local Authorities' plans and efforts to help social housing tenants were inconsistent and were having little effect in helping tenants manage the removal of the spare room subsidy. Welfare reform was leading to additional expenditure by local authorities and housing associations, with further risks likely to arise from future changes.

7. The Minister for Communities and Tackling Poverty responded to the Auditor General's report and its recommendations, focussing on how the Welsh Government might support local government in responding to welfare reform.<sup>4</sup>

8. On 3 February 2015, the Public Accounts Committee agreed to undertake an inquiry into the impact of welfare reform changes have affected social housing tenants in Wales.

### **Terms of Scrutiny**

9. The Committee agreed to consider the following as part of its inquiry:

- Value for money:

- Robustness of Department for Work and Pensions' impact assessments, including methodology and evidence of savings/costs resulting from the changes;
- The cost of managing the impact of welfare reform on the Welsh Government, the third sector, local government and housing associations.

- Advice and Support for tenants:

- Local Authorities engaging with and responding to the needs of tenants affected by the spare room subsidy/benefit cap;

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<sup>4</sup> PAC(4)-04-15, 03 February 2015

- Quality/effectiveness of advice provided to tenants by third sector and local authorities;
  - Ability of tenants to access ICT, and support for increasing access;
  - The overall efficiency and fairness of Local Authorities' appeals system, including costs, management and comparison with English Housing Associations' processes. This would not entail consideration of individual cases.
- Availability and provision of alternative housing and its impact:
- Level of 1 and 2 bed stock availability, including scale and affordability of housing associations' development programmes;
  - Impact of rent arrears on ability of tenants to transfer to more appropriate property under the new arrangements;
  - Impact of changes on other households in housing need seeking social housing – homeless people, waiting list growth, for example;
  - Use of the private rented sector.
- Preparing for change:
- How effectively local government, the Welsh Government and housing associations prepared for changes associated with Welfare Reform.

### **The Committee's approach**

10. The Committee held five oral evidence sessions with witnesses including the Welsh Government, local government, housing interest groups, advice providers and representative groups. The full list of witnesses can be found at Annexe A.

11. The following report details the Committee's conclusions and recommendations based on the evidence received during the course of its inquiry. The Committee would like to thank all those who contributed.

## 2. Overview of Response

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12. Before considering different aspects of the response, the Committee was keen to take an overview of the approach taken in Wales to the changes to the welfare system. An early action taken by the Welsh Government was the establishment of a Ministerial Task and Finish Group on Welfare Reform.<sup>5</sup> This was intended to coordinate the response across government to the changes in benefits.

### **Mitigating the impact**

13. The Committee was advised that the Scottish Government had effectively off-set the cost to tenants of the removal of the spare room subsidy, while in Wales the Welsh Government was “determined not to carry the direct cost of offsetting welfare cuts”.<sup>6</sup>

14. The Welsh Government did however cover the reduction of support for council tax made by the UK Government alongside the transfer of council tax benefit to the devolved administrations in Wales and Scotland, and to local authorities in England. This was a broadly similar level of funding to the removal of the spare room subsidy.

15. Recognising the Scottish Government has a more generous funding settlement than the Welsh Government, the Committee asked what consideration, if any, had been given by the Welsh Government of the potential cost of off-setting the removal of the spare room subsidy. Hypothetically, this could have been a lower cost than the broader cost to the public purse of the removal of the subsidy. The Welsh Government responded that the approach of off-setting the removal of the subsidy was not prioritised by their Task and Finish Group on welfare reform.<sup>7</sup>

16. The Welsh Government estimated that the cost of off-setting the removal of the subsidy would have been approximately £22m per annum,<sup>8</sup> which would have been a recurring cost. The Welsh Government instead decided to prioritise investment in the construction of smaller properties and the provision of advice services, in the expectation these would be a more sustained and enduring response to the issue.

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<sup>5</sup> Record of Proceedings, paragraph 9, 02 June 2015

<sup>6</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>7</sup> Record of Proceedings, paragraph 13, 02 June 2015

<sup>8</sup> Record of Proceedings, paragraph 24, 02 June 2015

## Data

17. The Committee was informed that there was a lack of robust data available when the welfare reform process began. For example, some landlords' records were incomplete and did not accurately reflect tenant household composition or property size, which will have an implication for the level of Housing Benefit available to the tenant.<sup>9</sup>

18. In written evidence, the Committee was told that the impact assessments undertaken by the Department for Work and Pensions (DWP) for many aspects of the Welfare Reform Act were "overly simplistic", and "inconsistent and often based on limited evidence".<sup>10</sup> Furthermore, the savings expected to be generated were "calculated in a very basic and crude way, they do not consider the impact of tenant choice on the overall Housing Benefit bill".<sup>11</sup>

19. The Welsh Government's Task and Finish Group produced a significant amount of data on the likely impact of the welfare reform agenda in reports published in three tranches in 2013. This proved helpful in allowing the Welsh Government and stakeholders to establish a common understanding of the challenges faced.

20. The initial production of data was not continued, and the Committee heard concerns that:<sup>12</sup>

"there is still much inconsistency going on in approaches to dealing with Welfare Reform and this is demonstrated by key data not being collected and therefore it appears to be difficult to gain a true picture of the current situation and also the challenges ahead if risks are not being correctly identified."

## The Committee's view

21. The Committee welcomes the demonstration of leadership by the Welsh Government in the convening of the Task and Finish Group to understand the potential impact of welfare reform. That said, it would have been helpful if greater urgency was given to the development of programmes of work that would address the impact of welfare reform on tenants in Wales. There is a difference between understanding the extent of a challenge and taking action to mitigate its impact.

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<sup>9</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>10</sup> PAC(4)-13-15 Paper 3 and PAC(4)-13-15 Paper 4, 12 May 2015

<sup>11</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>12</sup> PAC(4)-14-15 paper 1, 19 May 2015

22. While that Group appears to have met only three times in 2013, it is not clear whether it continued to operate as a network and it would have been helpful if that Group had continued to meet, and to understand of the actual impact of the welfare reform agenda as it continues to develop.

23. While the Committee notes the Welsh Government's opposition in principle to meet the short-fall caused by non-devolved decisions, aside from council tax support, it would be helpful to understand the extent to which the option to off-set the removal of the spare room subsidy was considered, and if it was presented to Ministers for decision.

24. Given the concerns about the available data, and absence of consistent leadership, the Committee believes the Welsh Government should take a more proactive position in coordinating Wales' response to the welfare reform agenda. This should include collecting and evaluating key data from the UK Government, social landlords and voluntary sector organisations to understand the profile of Housing Benefit recipients, the extent of rent shortfalls, debt collection costs, uptake of food banks and advice services, and the number of financial capability assessments carried out (discussed below).

25. Noting that the Wales Audit Office undertook a survey of social housing tenants to support the Auditor General's report, the Committee would support greater efforts to understand tenants' personal responses to the challenges presented by welfare reform.

**The Committee recommends that the Welsh Government develops a strategy to manage the impact of welfare reform where it has reduced welfare payments in Wales. This should identify best practice, provide coherent leadership and increase consistency between the approach taken by local authorities, housing associations and the third sector to welfare reform.**

**The Committee recommends that the Welsh Government publish the suite of options considered by the Ministerial Task and Finish Group for responding to welfare reform. This should include a cost/benefit analysis of mitigating the full impact of the removal of the spare room subsidy through discretionary housing payments, as the Scottish Government chose to do.**



**The Committee recommends that the Welsh Government collects and evaluates key data from the Department for Work and Pensions, local authorities and housing associations in relation to:**

- the profile of Housing Benefit recipients in Wales;**
- rent shortfalls;**
- debt collection costs;**
- referrals to food banks and advice services;**
- the number of financial capability assessments carried out; and**
- information from tenants on the personal impact of welfare reform.**

**This should also include information on the removal of the spare room subsidy to identify how many tenants have moved or lost their home, transferred to another social housing property or into the private rented sector, and no longer claim Housing Benefit.**

### 3. Availability of housing

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26. The UK Government's welfare reform programme has sought to rationalise social housing use so that social housing tenants are not "under-occupying" properties. The Committee was interested to assess the availability of social housing that could accommodate housing benefit recipients that were deemed to be under-occupying.

27. The Auditor General's report set out that there were over 30,000 households that would need to downsize to stop "under-occupying",<sup>13</sup> over four-fifths of which had one spare bedroom, and the remainder two or more. It was clear from witnesses that the existing level of supply of smaller properties was inadequate for the level of demand, with one witness suggesting there were 70 households needing a smaller property for each one available.<sup>14</sup>

28. The Committee heard that, historically, social housing providers had not sought to provide a large amount of one- or two-bedroom homes, suggesting they were "not sustainable in terms of creating sustainable communities and allowing families to move in and become established there".<sup>15</sup> This is an example of a clear difference in UK and Welsh Government policy: in Wales, the Welsh Government's Pattern Book for new social housing development requires landlords to build on the principle of lifetime homes. This may entail more cost initially, but would enable a relatively cheap adaptation in the future. In England, greater weight is attached to the initial cost of housing, meaning new housing is not developed to the same quality standard.

29. TPAS Cymru told the Committee that tenants had historically under-occupied their properties in order to "grow into them" – i.e. by having extra rooms for when they have children,<sup>16</sup> or their life changes and they require an additional bedroom for specialist equipment and support. They suggested that with the removal of the spare room subsidy, tenants' aspirations and needs have changed, and the demand for a spare room in case of occasional use was reduced.<sup>17</sup>

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<sup>13</sup> Auditor General for Wales Report: [Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales](#), page 50, January 2015

<sup>14</sup> Record of Proceedings, paragraph 17, 12 May 2015

<sup>15</sup> Record of Proceedings, paragraph 128, 12 May 2015

<sup>16</sup> Record of Proceedings, paragraph 59, 19 May 2015

<sup>17</sup> Record of Proceedings, paragraph 29, 19 May 2015

30. The Committee noted that the welfare reform agenda had been responded to as a short-to-medium term challenge by social landlords. Historic approaches of basing developments on larger homes that tenants could grow into have not been changed. The Committee heard from the evidence that there was little support for the ambition of the welfare reform agenda that tenants use social housing that is adequate for their current, rather than potential future, needs.

### **Increasing supply**

31. The Welsh Government had provided additional funds in recent years to increase the supply of smaller social housing. This included £20 million in 2013-14 – equivalent to 375 units, and a further £20 million across 2014-15 and 2015-16.<sup>18</sup> Questions were raised whether social landlords would be able to sustain the development of smaller properties with the Welsh Government noting that the gearing of registered social landlords in Wales were coming close to their borrowing limits.<sup>19</sup>

32. The Auditor General’s report found that social landlords were slow to respond to the removal of the spare room subsidy, and his survey of councils and housing associations finding that only half the organisations had changed their Social Housing Grant development programme to develop smaller housing.<sup>20</sup> His report found that “one bedroom homes are generally seen by social housing landlords as an inflexible and ineffective housing solution”.<sup>21</sup>

33. In exploring this view, the Committee heard that there was some concern in the sector that there could be long-term difficulties if the profile of social housing was skewed too far toward smaller properties, and that the removal of the spare room subsidy could be overturned by a new UK Government.<sup>22</sup> Shelter Cymru noted that “one and two-bedroomed propert[ies] [aren’t] lifetime home[s]”,<sup>23</sup> and the Welsh Government agreed that there are difficulties in forecasting future housing needs,<sup>24</sup> which suggest providing larger, “lifetime” homes, may continue to be the default.

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<sup>18</sup> PAC(4)-04-15 Paper 5, 03 February 2015

<sup>19</sup> Record of Proceedings, paragraph 53, 02 June 2015

<sup>20</sup> Auditor General for Wales Report: [Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales](#), page 51, January 2015

<sup>21</sup> Ibid

<sup>22</sup> PAC(4)-13-15 paper 2, 12 May 2015

<sup>23</sup> Record of Proceedings, paragraph 285, 12 May 2015

<sup>24</sup> Record of Proceedings, paragraph 45, 02 June 2015

## Adaptations for tenants with disabilities

34. The Committee heard that a large number of tenants affected by the removal of the spare room subsidy had disabilities,<sup>25</sup> and a significant proportion – up to one in ten – of tenants under-occupying lived in homes with substantial adaptations.<sup>26</sup> These tenants often had either a longer wait for an appropriate property, or were more reluctant to move, potentially exposing them to a longer-term shortfall in rent, as set out by Welsh Tenants.<sup>27</sup>

“that is my experience – they’ve taken the hit, if you like, and... don’t want this change at their time of life, and therefore are willing to sacrifice other things for that, including additional care.”

35. Other witnesses felt that meeting this shortfall could put tenants with disabilities in a precarious financial situation, and unable to deal with emergencies requiring unexpected expenditure.<sup>28</sup>

36. Aside from the potential distress to tenants, the Committee were concerned there may be a disproportionate cost to the public purse should tenants with disabilities be re-located from properties adapted to their needs and that meeting a shortfall in rent may be more cost-effective than removing adaptations from one property and adapting a smaller property.

37. According to Shelter Cymru:<sup>29</sup>

“adaptations are a good example of one of these instances where the money-saving aspects of welfare reform could potentially spiral quite out of control because adaptations are very expensive to do. If people are moving between social housing, having to get them all done again, having to get them ripped out—. I mean, with social landlords, at the moment, there isn’t a requirement on them to report on the number of adaptations that get taken out of properties, so I’m conscious that, sometimes, it’s because that money isn’t necessarily coming from the RSL but might be coming from the local authority adaptation service.”

38. Community Housing Cymru cited Wales and West Housing Association in suggesting “more than £40m of public money is set to be wasted in Wales

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<sup>25</sup> Record of Proceedings, paragraph 132, 12 May 2015

<sup>26</sup> Record of Proceedings, paragraph 313, 19 May 2015

<sup>27</sup> Record of Proceedings, paragraph 86, 19 May 2015

<sup>28</sup> Record of Proceedings, paragraph 87, 19 May 2015

<sup>29</sup> Record of Proceedings, paragraph 218, 12 May 2015

due to the removal of the spare room subsidy from disabled people living in specially adapted properties”.<sup>30</sup> They set out the extent of the issue to the Committee.<sup>31</sup>

“It’s an area that we felt really strongly about... our experience is that about 10 per cent, about 1 in 10, of people who are under occupying have got a substantially adapted home. We’re in a similar position where those people haven’t moved—they’re still there—but the cost to the public purse in adapting those homes, we found, was around £7,000 a home. If people move from there, then that money is lost. Then you would have to adapt a new home for them to move to, which would cost an amount of money again that a physical adaptation grant would pay for out of the public purse, and often you can’t re-use the adaptations because they’re so specific to individuals. It’s very hard to re-let then to somebody else, so you end up with a big cost in order to save that amount from removing the spare room subsidy. It will never pay for it. There aren’t those smaller homes to move to. We’ve a number of places where the actual homes people are in, where they’re under occupying, we built it for them. You know, it’s specifically for their needs, and their support is set up, and they’re living sustainable, good lives.”

39. Mindful that re-locating people from properties adapted to their particular needs could be inefficient, NPT Homes told the Committee that they used Discretionary Housing Payments (DHPs) to ensure that tenants with disabilities could remain in the property adapted for them. However, DHPs are short term payments. They are not intended to be paid in perpetuity, but to help families find more sustainable housing solutions. While having some merit, NPT Homes’ approach is not a sustainable option

40. Use of Discretionary Housing Payments is discussed further below, but it was clear that practice was not consistent across Wales. Some tenants were receiving DHPs in Wales on the basis of their disability, and some been refused, based on the income received in disability-related benefits.

### **Other housing provision**

41. In order to overcome the shortfall in supply of smaller properties, some landlords were looking to adapt existing stock, and some tenants were likely to move to the private rented sector.

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<sup>30</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>31</sup> Record of Proceedings, paragraph 313, 19 May 2015

42. The Committee heard that moving tenants into the private rented sector would not be cost effective for either the tenant or the Department for Work and Pensions. Comparing the social and private sectors in Merthyr Tydfil suggested housing benefit costs in the private rented sector was around a third greater than they would be in the social housing sector, meaning a greater cost borne by the taxpayer.<sup>32</sup>

43. Only a small proportion of the private rented sector would be feasible for people receiving housing benefit, with the example given of 12 per cent of the private rental sector in Merthyr Tydfil.<sup>33</sup> Citizens Advice Cymru noted that the available housing in the private sector included “some of the worst housing stock in Wales”, with tenants in the private sector twice as likely to require support from Citizens Advice.<sup>34</sup> Welsh Tenants noted that the private rented sector offered tenants less security and a lower standard at a greater cost, and tenants were sometimes reluctant to use it, choosing instead to remain in their existing homes at considerable personal cost.<sup>35</sup>

44. The Committee heard that larger social housing was becoming more difficult to let, and the number of longer-term void properties was increasing. Communities Housing Cymru noted that 700 new properties were left void in the first year of the removal of the spare room subsidy.<sup>36</sup> CIH Cymru (the Chartered Institute of Housing) noted that letting difficulties were arising for 3 bedroom properties. Potentially, there could be a sizeable proportion of the housing supply that is not being used and therefore neither meeting the needs of the many thousands of families who require social housing, nor providing any benefit to the public purse.

45. As the Department for Work and Pensions used social housing landlords’ data to establish the number of bedrooms in a property, and therefore whether it was being under-occupied, the Committee asked whether a property could simply be re-designated by the landlord defining a room as a dining room, for example. NPT Homes responded:<sup>37</sup>

“It’s an option, but I think it’s something that people have got to be wary of, because if they have taken housing benefit on a property at a three-bedroomed rent for, say, the last 20 years, and they then redesignate it to a two-bedroomed, there is always the risk that DWP

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<sup>32</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>33</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>34</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>35</sup> Record of Proceedings, paragraph 24, 19 May 2015

<sup>36</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>37</sup> Record of Proceedings, paragraph 338, 19 May 2015

will come back and say, ‘Then we want the difference in the rent’, because if it was always a two-bedroomed property and you haven’t made any significant changes to it, then you have been overcharging housing benefit for that time.”

46. As a further step, the Committee heard that there were examples of properties being converted to reduce the number of bedrooms, particularly when one bedroom identified by the DWP as spare is small.<sup>38</sup> This could be a more cost-effective response to reduce the number of properties with spare bedrooms, but may reduce the long-term flexible use of the property.

47. Given the increased need for smaller properties, and corresponding reduction in demand for larger properties, some landlords were converting family homes into shared accommodation.<sup>39</sup>

48. Whereas converting larger properties into houses of multiple occupancy (HMO) in the private sector would entail compliance with minimum standards under the Housing Act 2004, community landlords are exempt. There were some concerns that this process could therefore mean a lower standard of property available and a growth of substandard accommodation. In addition, Shelter Cymru highlighted concerns at who could potentially be housed together in shared accommodation,<sup>40</sup> which may not be appropriate for all groups of people.

### **The Committee’s view**

49. The UK Government are committed to their policy in respect of the spare room subsidy. Even given the number of additional smaller homes expected to be built in the next five years, there is still likely to be a clear shortfall in the level of supply of 1 and 2 bedroom properties.

### **The Committee recommends that the Welsh Government undertakes a modelling exercise on the future profile of the social housing market and its needs.**

50. Whilst the Committee has been unable to establish the number of disabled tenants who have been required to relocate due to the spare room subsidy, we are concerned that disabled tenants who are under-occupying may face particular difficulties where they live in substantially adapted properties. The cost effectiveness of re-location is unclear, and there is

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<sup>38</sup> Record of Proceedings, paragraph 104, 19 May 2015

<sup>39</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>40</sup> PAC(4)-13-15 Paper 3, 12 May 2015

inconsistent practice across Wales. It would be helpful to robustly evaluate the costs and benefits of using DHPs to allow tenants with disabilities to remain in their homes. This could provide a helpful evidence base for understanding the impact of the eventual withdrawal of DHPs.

**The Committee recommends that the Welsh Government should undertake a cost/benefit analysis of providing Discretionary Housing Payments to tenants with disabilities in significantly adapted homes.**

51. The availability of larger properties being left void is concerning, and more could be done by the Welsh Government to identify the number of voids and to provide support to social housing landlords in appropriate means to reduce the number of voids – either by adaptation, letting them at market rent levels, or disposal to generate income for other housing provision.

**The Committee recommends that the Welsh Government should evaluate the use and disposal of void properties.**

52. The Committee is concerned at the anecdotal evidence of converting larger properties into substandard HMOs. It is unclear if this is widespread practice. The Welsh Government should explore the extent that this is occurring, and whether the discrepancy between regulations on the private rented sector and social housing is leading to poor housing provision.

**The Committee recommends that the Welsh Government explores how widespread the practice of converting larger social housing into shared accommodation is, and whether regulation is required to ensure that housing standards are acceptable.**



## 4. Allocations and access to social housing

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53. The Committee received evidence that social housing is becoming less accessible to certain groups of people, and it was not always easy for under-occupying tenants to downsize. The Committee were also interested to learn whether the removal of the spare room subsidy had increased the number of evictions and, if so, where tenants are moving.

### **Advance payments and assessments**

54. The Committee was advised that social landlords were increasingly using financial capability assessments to gauge prospective tenants' ability to pay rent, with Shelter Cymru setting out that such assessments were being used by most landlords when letting to new tenants,<sup>41</sup> and in some cases tenants were asked to provide four weeks' rent in advance of a tenancy. Shelter Cymru suggested that failure to pass such an assessment or provide rent in advance effectively means that a household is "too poor for social housing".<sup>42</sup>

55. The Committee asked landlords about these assessments, and heard that it was part of landlords' greater efforts to understand their tenants' financial situations, explored further below. In effect, assessments were being used to avoid "setting people up to fail",<sup>43</sup> by considering the costs of running a home. This would involve talking prospective residents through their likely outgoings, including utilities and other costs, and was more often in cases where prospective tenants were living with family members and looking to move into their own property.

56. It is difficult to assess what options a household would have if they were denied social housing on the basis of a failed financial assessment or inability to meet a required advance payment of rent. There is little understanding of how many households have been denied tenancy on the basis of such an assessment, or what services they have gone on to use and at what cost.

### **Transfers**

57. The Committee were keen to understand how readily a tenant could move to a smaller property, and whether arrears arising from tenant being

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<sup>41</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>42</sup> Record of Proceedings, paragraph 226, 12 May 2015

<sup>43</sup> Record of Proceedings, paragraph 228, 19 May 2015

unable to meet the shortfall from the removal of the spare room subsidy could prevent “downsizing”.

58. The Committee heard from NPT Homes that the removal of the spare room subsidy had not led to a general increase in arrears in their area, and that their arrears were actually at a three-year low.<sup>44</sup> They considered that this was a consequence of their efforts to advise and support under-occupying tenants in adapting to the reduction in housing benefit.

59. As concluded by the Auditor General, the Committee heard that most social landlords had relaxed their transfer policy to ensure that tenants that were in arrears due to the reduction in their housing benefits were able to downsize.

60. The Committee asked the Welsh Government whether it was satisfied that allocation policies meant that no authority could prohibit a tenant from transferring as a result of having incurred rent arrears due to housing benefit changes. The Welsh Government responded by saying its guidance was clear in this regard, setting out:<sup>45</sup>

“People under-occupying social housing and wanting to transfer to a smaller property, particularly in light of Welfare Benefit changes and the under-occupancy charge. Households in this situation need detailed advice on their options to help prevent them falling into arrears if they cannot afford the extra rent if they are deemed to have a ‘spare room’ and cannot move immediately.”

61. The Welsh Government undertook a brief survey of ten authorities, which suggested that priority was being given to under-occupying tenants seeking to move. The survey did not suggest that authorities had policies in place that would prevent tenants from moving from under-occupied properties, but that this would be kept under review.

62. In order to support voluntary transfers, the Committee heard that House Swap Wales was an example of good practice, where tenants can post on social media to mutually exchange their properties. However, there was very limited interest among tenants to accept lodgers in order to reduce under-occupation, with family reasons, concerns at safety being cited as example of why households may be reluctant to accept a lodger.<sup>46</sup> In addition, acceptance of a lodger would not necessarily ease a household’s financial

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<sup>44</sup> Record of Proceedings, paragraph 258, 19 May 2015

<sup>45</sup> PAC(4)-18-15 PTN5, 23 June 2015

<sup>46</sup> Record of Proceedings, paragraph 25, 12 May 2015

situation, as the additional income would be taken into account when determining Housing Benefit. Welsh Tenants set out that, for tenants considering accepting a lodger, “the risk is very high and the advantage is very small”.<sup>47</sup>

63. The number of transfers did not significantly increase immediately following the removal of the spare room subsidy. Welsh Tenants set out that between 2010 and 2013, transfers increased by only one per cent, suggesting downsizing to reduce under-occupation took a little time to begin in earnest.

64. The Committee heard that a consequence of the greater demand for smaller properties from social tenants looking to downsize, and the priority given to existing tenants, meant that there were fewer properties available to accommodate other people in housing need, especially those accepted as homeless. In 2013-14, the number of households accessing social housing via the homelessness route was at its lowest level in 10 years (12.8 per cent, compared with 17 per cent the previous year).<sup>48</sup>

## **Evictions**

65. Further to questions of whether arrears could preclude a household from downsizing, the Committee sought to understand whether evictions were increasing as a consequence of tenants having to meet the full cost of their rent following the removal of the spare room subsidy.

66. Shelter Cymru set out that social housing repossessions were at a seven year high,<sup>49</sup> with 1,000 households being made homeless in 2014 – this was a 12 per cent increase on the previous year.<sup>50</sup> It was not clear what housing these households would have gone on to, making it difficult to understand the cost implications, among other consequences. To return to the point made above, if the household moved on to the private rented sector, this would likely come at a greater cost to the public purse than their remaining in social housing would have.

67. Conversely, the Welsh Government, who publish figures on evictions, did not identify a significant increase of evictions, noting that an anticipated increase had not yet occurred.

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<sup>47</sup> Record of Proceedings, paragraph 100, 19 May 2015

<sup>48</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>49</sup> Record of Proceedings, paragraph 202, 12 May 2015

<sup>50</sup> PAC(4)-13-15 Paper 3, 12 May 2015

## **The Committee's view**

68. While social landlords are right to avoid setting tenants up to fail by making them aware of the costs of running a home, the Committee is concerned that financial capability assessments may have the unintended consequence of excluding some people from access to social housing on the basis that they are “too poor”. The use of such assessments may have a disproportionate impact on some groups of people, such as children leaving care, people with learning difficulties and those fleeing domestic violence.

69. By understanding who is currently using and not using social housing, the Welsh Government could revise its housing policy for the social housing sector to require landlords to improve the way in which they identify and support people in greatest housing need.

**The Committee recommends that the Welsh Government monitor the impact of financial capability assessments and undertake research into the profile of applicants who fail them.**

70. While evidence to the Committee suggests that most social landlords have reviewed their transfer policies to ensure arrears do not preclude downsizing, there is no guidance from the Welsh Government requiring landlords to do so. The Welsh Government should monitor social landlords to establish whether this is occurring consistently across Wales, and produce guidance if necessary.

**The Committee recommends that the Welsh Government takes action to ensure that social landlords cannot prevent tenants from transferring to smaller properties if they have arrears which have arisen as a result of the removal of the spare room subsidy.**

71. Given the lack of clarity over the number of evictions, and the fate of evicted households, the Welsh Government should undertake an audit of evictions from social housing. This should enable a more comprehensive understanding of the causes and implications of evictions, particularly where they generate further cost to the public purse.

**The Committee recommends that the Welsh Government undertakes an audit of social housing evictions and the outcomes for households post-eviction.**

**The Committee recommends that the Welsh Government should review its policies for social housing landlords and provide guidance to ensure**

**those in the greatest housing need are being assisted, regardless of financial means.**

## 5. Advice services

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72. A key response by the Welsh Government to the welfare reform agenda was an increase in the level of advice services provided to social tenants. It provided an additional £2 million annually for advice services. Social landlords also increased the amount of advice and support provided to their tenants in the perceived absence of awareness-raising by the Department for Work and Pensions.<sup>51</sup>

73. The Welsh Government confirmed to the Committee that there was a commitment to provide £2m in advice support in 2015-16. No commitments have been made beyond this year. A significant proportion of this £2m, £1.3m, was awarded to Shelter Cymru and Citizens Advice Cymru to provide a joint specialist benefit, debt and housing advice service.<sup>52</sup>

74. The additional funding came in the context of a broader reduction of funding for independent advice services. The Auditor General's report set out the level of funding for independent advice services in Wales was cut by £4.1m in 2013-14, with Citizens Advice Cymru's income reduced by over £2m.<sup>53</sup> While the Welsh Government's funding was welcomed by Citizens Advice Cymru, they also noted that they remained dependent on local authorities for their core funding.<sup>54</sup>

75. Citizens Advice set out that people were often reluctant or afraid to seek advice,<sup>55</sup> and the Committee also heard that tenants often did not recognise themselves as having benefits that were changing – for example, they did not perceive that they were paying rent and would experience a shortfall with the removal of the spare room subsidy.<sup>56</sup>

76. Many landlords developed their own capacity to advise and support tenants about benefit changes and household budgeting. This included the process of financial capability assessments discussed above, and included providing advice to tenants on financial inclusion, food and energy information, as well as information on skills and work opportunities.<sup>57</sup> It was suggested by Community Housing Cymru that that £56m was spent by the

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<sup>51</sup> Record of Proceedings, paragraph 18, 12 May 2015

<sup>52</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>53</sup> Auditor General for Wales Report - [Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales](#) (page 29), January 2015

<sup>54</sup> Record of Proceedings, paragraph 209, 12 May 2015

<sup>55</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>56</sup> Record of Proceedings, paragraph 175, 19 May 2015

<sup>57</sup> Record of Proceedings, paragraph 19, 12 May 2015

housing sector the previous year to provide such advice and support, with 74 per cent of housing associations increasing resources to allow greater face-to-face support to tenants.<sup>58</sup>

77. Bringing advice services in-house allowed landlords to focus on their tenants and act quickly when they identified households who were struggling. Wales and West set out:<sup>59</sup>

“[W]e’re often the very first to know, so as soon as a payment doesn’t come in, we know immediately, and if we know that somebody is under occupying, we can contact them immediately, the day after that payment hasn’t come in, saying, ‘We haven’t received a payment; what’s happened? Can we talk about that? Can we support that?’ So, we’re often in a very good place to assist really quickly.”

78. NPT Homes and Wales and West were both satisfied that their increased efforts to provide such support had helped tenants understand fully the impact on them of changed welfare, and removed the sense of denial that had been encountered initially.

79. The Committee heard some concerns that landlord-provided advice services may not give the tenant the most balanced view of their options. For example, a debt relief order or bankruptcy may be a more appropriate option for a tenant in rent arrears, but it would not be in the landlord’s interest to recommend that course of action.<sup>60</sup> Shelter Cymru and Citizens Advice Cymru believed themselves to be where a tenant would be likely to feel confident to turn to, rather than their own landlords, particularly where the tenant had concerns about rent arrears.

80. In addition to the intensive face-to-face support and in-house advice, housing associations invested in a joint campaign, “Your Benefits are Changing”. TPAS Cymru supported the joint working that this campaign entailed, but noted the fairly low level of penetration it had had – only 16 per cent of tenants had heard of the campaign.<sup>61</sup>

81. The Welsh Government set out to the Committee their concern at the duplication of advice services, and the National Advice Network developed as a way to create standards and look in the round at advice services needed.<sup>62</sup>

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<sup>58</sup> Record of Proceedings, paragraph 19, 12 May 2015

<sup>59</sup> Record of Proceedings, paragraph 196, 19 May 2015

<sup>60</sup> PAC(4)-14-15 paper 1, 19 May 2015

<sup>61</sup> PAC(4)-14-15 paper 1, 19 May 2015

<sup>62</sup> Record of Proceedings, paragraph 175, 02 June 2015

In correspondence, the Welsh Government set out that a particular focus of the National Advice Network was to “provide strategic direction as we grapple with the difficult tension between rising demand and diminishing resources and will bring together key stakeholders to help inform the way forward”. This was in the context of the overall reduction in funding for advice services, which the Welsh Government was not “able to step in and fill all the gaps”.<sup>63</sup>

### **The Committee’s view**

82. The sustainability and suitability of advice services to social tenants is a concern of the Committee. There are clear advantages to landlords having a better understanding of their tenants’ situation, and in being able to respond proactively and quickly to tenants’ problems. This should help develop a more supportive and engaging relationship between tenants and landlords. There are also advantages in external advice services, who are able to establish trust with tenants and provide more rounded and independent advice. One option would not necessarily be better than the other, but would meet different needs.

83. We are concerned at the potential conflict of interest that accompanies housing advice being provided by a social landlord or local authority. We are also concerned that the reduction of funding for advice services is having a disproportionate impact on smaller, more specialised services – including for some minority communities – that are not provided as effectively by the larger service providers.

84. The welfare system will continue to change over the coming years. To ensure organisations are well-placed to deliver advice, the Welsh Government should provide clarity on its funding. We understand that there is often some reluctance to provide multi-year funding commitments given uncertainty around the Welsh Government’s own budget, but would imagine a funding commitment of a similar level to the current £2m could be given with some certainty.

**The Committee recommends that the Welsh Government should consider providing the advice services sector with a longer-term funding proposal so services can be planned more effectively.**

85. As part of the development of the National Advice Network, there is an opportunity to review existing activity and develop best practice further to

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<sup>63</sup> PAC(4)-04-15 Paper 5, 03 February 2015



the Advice Services Review.<sup>64</sup> In particular, this should draw out more clearly the advantages and disadvantages of advice being provided by landlords and independent bodies. This would allow them to identify their relative strengths and develop more complementary services.

86. This should include an exploration of whether awarding the majority of funding to two large organisations had resulted in a diminution of advice services from smaller organisations that support particular communities. It should also include a consideration of why Your Benefits are Changing had such limited success in raising understanding among social tenants.

**The Committee recommends that the National Advice Network evaluate the balance of advice provision between social landlords and independent services, including surveying tenants to identify their accessing of advice services and savings made from use of advice services. This should also include an evaluation of the services lost as a consequence of reduced funding for advice services.**

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<sup>64</sup> [gov.wales/statistics-and-research/advice-services-review/?lang=en](http://gov.wales/statistics-and-research/advice-services-review/?lang=en)

## 6. Discretionary Housing Payments

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87. Discretionary Housing Payments give local authorities the discretion to make payments to Housing Benefit/council tax reduction scheme recipients requiring further financial assistance with their rent or council tax. Councils have significant discretion about how they administer DHPs. They are not under any duty to make a DHP, and they are generally not paid in perpetuity.

88. Funding for DHPs is allocated to all local authorities by the DWP, and is ring-fenced. Local authorities may top up the UK Government funding from their own resources, subject to a total spend limit.

89. Local Authorities in Wales have DHP allocations of considerably different sizes. This is due to the way the DWP allocates funding, according to a formula that essentially means the more that local authorities spend on Housing Benefit, the more allocation they get. If a local authority 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 a local authority elects not to spend the full DWP allocation they get a smaller amount the following year. Therefore, the size of the DHP allocation reflects, in part, the priority that local authorities 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.

90. This means, paradoxically, that some of the local authorities with the largest number of social-housing tenants affected by these changes have some of the lowest levels of DHP allocations.

91. Shelter Cymru described the DHP system as “critically flawed” given this lack of correspondence between local housing need and budget size.<sup>65</sup> The Auditor General’s report set out that the use of DHPs was increasing, with a three-fold increase between 2012-13 and 2013-14. Use was varied across Wales, and was not driven by need. The overall sum of money available to a local authority depended on its use of existing allocations: if a local authority topped up DHP allocations with their own funds, which they could up to 2.5 times the DWP allocation, they would receive a larger allocation the following year. If they did not use their allocation, the allocation would be reduced the following year.

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<sup>65</sup> PAC(4)-13-15 Paper 3, 12 May 2015

92. The Auditor General also highlighted that there were inconsistencies and weaknesses in the administration of payments, and that the majority of local authorities did not have a clear DHP policy or guide available to the public. The Welsh Government set out in evidence that the allocations criteria had varied in 2013-14:<sup>66</sup>

“[T]here has been quite a lot of change—turbulence, even—in the flow of that resource into Wales. So, I believe in one year, 2013-14, there was money allocated, then there was money allocated to local authorities from the Department for Work and Pensions in relation to an additional criterion, and then there was a further bidding round where local authorities were able to make a case for further moneys.”

93. The Committee asked the Auditor General to update the Committee on his findings and how matters had developed in 2014-15. In his letter to the Chair,<sup>67</sup> he set out that the distribution of DHP was still not driven by need, that performance still varied widely and that some of the councils with the lowest number of social-housing tenants affected by the removal of the spare-room subsidy have proportionally larger allocations of DHP.

94. While DHPs are a non-devolved fund, the Welsh Government provided additional, one-off funds for DHPs in 2013-14. The Committee heard that that was made available late in the financial year, with only around £1m of the £1.3m provided being taken up by local authorities and others rejecting funding in the expectation they would not be able to make use of it.<sup>68</sup>

95. The Committee heard that awareness of DHPs was “extremely low” among the clients of Shelter Cymru.<sup>69</sup> The Committee heard they were not well publicised by either local authorities, for fear of increasing demand, or some landlords, due to an expectation that they were only temporary – presumably to avoid tenants growing dependent on short-term assistance.

### **Inconsistency**

96. The inconsistency in the use of DHPs was particularly challenging for housing associations, advice providers and representative bodies operating in a number of local authority areas. Welsh Tenants stated they had hoped for a “consistent approach to the application, with clear guidance for tenants

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<sup>66</sup> Record of Proceedings, paragraph 80, 02 June 2015

<sup>67</sup> PAC(4)-15-15 Paper 1, 02 June 2015

<sup>68</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>69</sup> PAC(4)-13-15 Paper 3, 12 May 2015

and... for local authorities about how they make those decisions [on DHPs]”.<sup>70</sup> Local authorities and housing associations had seen large costs associated with the administration of DHPs.<sup>71</sup>

97. Citizens Advice Cymru deal with a significant number of clients with problems relating to DHP payments (1, 600 in 2014-15).<sup>72</sup> Their caseload suggests that there is significant inconsistency across Wales.

98. The Committee heard that the Welsh Government was working with the Welsh Local Government Association to develop protocols to build consistency across local authorities in Wales. Shelter Cymru sought the devolution of DHPs to allow the Welsh Government to coordinate their use, even if the level of overall funding did not increase.<sup>73</sup>

### **Tenants with disabilities**

99. As an example of the type of inconsistency seen across Wales, some local authorities took into account disability-related benefits when calculating tenants’ incomes. Citizens Advice Cymru took particular exception to local authorities that did this, and hoped greater consistency would discourage this practice.<sup>74</sup>

100. This would be an example of local authorities using their discretion, and is contrary to how the Department for Work and Pensions suggests DHPs be used. The DWP’s DHP manual from April 2014 suggested:<sup>75</sup>

“you may decide to disregard income from disability related benefits as they are intended to be used to help pay for the extra costs of disability.”

101. The guidance also suggests that local authorities consider how to best target DHPs, to support target groups in particular. The guidance gives the following examples as a types of tenant a local authority “may want to assist to stay in their home”:

“where the claimant or someone in their household has a disability which requires them to have a larger property than would usually be the case for the size of their household due to, for example, a

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<sup>70</sup> Record of Proceedings, paragraph 93, 12 May 2015

<sup>71</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>72</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>73</sup> PAC(4)-13-15 Paper 3, 12 May 2015

<sup>74</sup> PAC(4)-13-15 Paper 4, 12 May 2015

<sup>75</sup> Discretionary Housing Payments Guidance Manual Including Local Authority Good Practice Guide, April 2014, paragraph 3.9

medical condition that might mean they are unable to share a bedroom;

“people with disabilities who receive informal care and support in their current neighbourhood from family and friends which would not be available in a new area. In this respect you may also consider families who have a child with a disability who rely heavily on local support networks.”

### **Discretionary Housing Payments framework**

102. During the course of the Committee’s consideration, it was informed that 20 of Wales’s 22 local authorities had agreed a framework for the use of DHPs, which the Welsh Government described as being:<sup>76</sup>

“a kind of framework within which authorities will operate, and there’s a recognition within that framework that there will be an element of local determination as to what the priorities will be. It’s a strategic framework that can be applied to respond to the different needs of different authorities.”

103. Agreement of this framework was coordinated by the Welfare Reform Club, a private consultancy. The Welfare Reform Club set out at the launch of the framework that it “has received the full support of the Welsh Government, which has described the new framework as ‘ground breaking’”.<sup>77</sup>

104. The Committee requested a copy of the framework, but the Welfare Reform Club declined to provide it, stating it was a commercial product that it hoped to licence for use to local authorities in England. The WLGA were similarly unable to share the document, citing confidentiality. Eventually, the Welsh Government directed the Committee to a draft of the framework published on the website of Powys County Council.

105. The two local authorities that did not sign up to the agreement were Neath Port Talbot and Cardiff. This was surprising, as Cardiff’s DHP allocation was 15 per cent of Wales’s total allocation, and the Welsh Government had stipulated in the distribution of its additional funding in 2013-14 that recipient local authorities build on the work of Cardiff Council in running their DHP schemes.

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<sup>76</sup> Record of Proceedings, paragraph 97, 02 June 2015

<sup>77</sup> [Welfare Reform Club](#)

106. There are examples of where this framework is contrary to the best practice that the Committee heard – for example, it recommends disability-related benefits be included in the assessment of tenants’ income, which was contrary to Citizens Advice’s preferences and the tone of DWP’s guidance. It is not clear whether any external stakeholder bodies were consulted in the development of the framework, which would have helped build on best practice.

### **The Committee’s view**

107. The agreement of a framework is welcome, in that it should provide greater consistency, meaning more efficient administration of DHPs across Wales. The Welsh Government and WLGA could have provided greater leadership in brokering this framework, rather than using a private consultancy at cost. This could have allowed the Welsh Government to exercise greater influence in the way DHPs are used – for example, along its preferred model as used by Cardiff Council.

**The Committee recommends that the Welsh Government exercises greater influence to ensure a consistent approach to the use of discretionary housing payments across Wales.**

108. The Committee is not currently satisfied that the framework has received sufficient scrutiny, nor that it was developed in consultation with stakeholders and tenants. It is troubling that the framework includes disability-related benefits in the calculation of tenants’ income.

109. Given that funding is available, Local authorities and social landlords should be encouraging the take-up of DHPs by tenants.

**The Committee recommends that the Welsh Government monitors and publishes the uptake of discretionary housing payments in Wales, including how local authorities and social landlords inform tenants of the availability of payments and the information provided to unsuccessful applicants.**

**The Committee recommends that the Welsh Government requires all local authorities and housing associations to publicise discretionary housing payments, including the associated eligibility criteria. They should also ensure that disability-related benefits are not used in income calculations, and explain why they have not made use of Discretionary Housing Payments where appropriate.**

## 7. Future challenges

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110. The housing benefit reforms that the Committee considered are a prelude to further changes as part of the UK Government's agenda of welfare reform. The full roll-out of Universal Credit in coming years, changes to eligibility for housing benefit, the replacement of Disability Living Allowance with Personal Independence Payments, and a lower benefit cap will all present challenges to devolved services and their users.

111. Community Housing Cymru set out that the greater demand for advice services discussed above would increase further in future years, with on-going changes to the welfare system requiring continuing communication to tenants and explanation of how individuals would be affected.<sup>78</sup>

### Universal Credit

112. Universal Credit, which entails recipients receiving a single monthly payment direct to their bank account in lieu of six existing benefits, has been trialled in parts of Wales and other parts of the United Kingdom. The Committee heard that "early information shows a huge increase in arrears as well as the need for system changes and further support in areas such as digital inclusion, budgeting and the communication of new terminology".<sup>79</sup>

113. The Committee heard that 54 per cent of tenants across Wales had not heard of Universal Credit,<sup>80</sup> suggesting a large amount of work would be required to raise awareness of the changes.

114. Research by Citizens Advice Cymru highlighted the difficulties that tenants would face in making and managing claims online, a key component of Universal Credit. Two-thirds of participants in their study were unable to get online to manage a claim, and support from Citizens Advice Cymru had improved the skills and ability of 62 per cent of claimants.<sup>81</sup> It is likely that the full roll-out of Universal Credit will also need support to enable claimants to operate online.

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<sup>78</sup> Record of Proceedings, paragraph 209, 12 May 2015

<sup>79</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>80</sup> PAC(4)-13-15 paper 1, 12 May 2015

<sup>81</sup> PAC(4)-13-15 Paper 4, 12 May 2015

115. Witnesses set out that the challenge to tenants of managing direct, four-weekly payments of benefit would be made more difficult in cases where the tenants were having to pay arrears to landlords. Welsh Tenants set out:<sup>82</sup>

“For example, moving to four-week payments will create a gap in funding for that family when they do make that transition. The Department for Work and Pensions have agreed with the housing association sector that between 10 per cent and 20 per cent are stopped at source to pay back rent arrears. Where currently, if you went to court, a reasonable sum would be paid—that’s usually around £16.50 a month, or £3.80 a week—the new arrangements will be that between 10 per cent and 20 per cent of the total universal credit could be stopped. Now, that means an increase of up to about £80 a week, potentially. What we’re concerned about is the viability of tenants’ incomes and the pressures that will put on people once that’s in force.”

116. NPT Homes anticipated that arrears would increase under Universal Credit, noting that the fairly high number of their tenants will be subject to Universal Credit.<sup>83</sup> Their pilot with local service board colleagues, including the police, health service and social services colleagues suggested that 72 per cent of a random group of tenants would “not cope with dealing with Universal Credit”.<sup>84</sup>

117. In some cases, the Department for Work and Pensions would be able to provide payments of housing benefit direct to landlords, rather than to the recipient of Universal Credit, expected to be around five per cent of recipients. The WGLA set out an expectation that was an underestimate, and that there would a larger number of tenants that would be vulnerable and require direct payments to be made to the landlord.

### **Other changes**

118. From April 2017, automatic entitlement to Housing Benefit will end for new claimants that are between 18 and 21 years old and out of work.<sup>85</sup> The Committee were keen to understand what the impact of this change would be for Welsh recipients, and asked the Welsh Government for its assessment of the likely number of current Housing Benefit recipients that would be affected by the planned change, and by the possible further change. The

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<sup>82</sup> Record of Proceedings, paragraph 133, 19 May 2015

<sup>83</sup> Record of Proceedings, paragraph 259, 19 May 2015

<sup>84</sup> Ibid

<sup>85</sup> [UK Government Summer Budget 2015, page 41](#)



Welsh Government estimated that, without exemptions, around 1,200 Housing Benefit claimants would be affected, with an average loss per claimant of around £90 per week, meaning around £6m would be saved each year.<sup>86</sup> In addition, Housing Benefit will be frozen for four years from 2016-17.

119. The benefit cap, which sets a limit on the total weekly amount of benefit a non-working family could receive, is also set to be reduced by the UK Government. The Welsh Government estimated that around 3,000 families in Wales would be affected by a reduction of the cap from £26,000 to £23,000 per annum, which was the position of the UK Government at the time of their evidence. The UK Government announced in the summer 2015 Budget that the reduction will in fact be to £20,000 for households outside London.<sup>87</sup>

### **The Committee's view**

120. The previous response to welfare reform has given the Welsh Government clear lessons to learn. A central point is that preparations for welfare reform need to begin as soon as possible to be effective, and changes cannot be ignored in the hope of their being revoked. Understanding the profile of benefit recipients helps assess the likely impact and develop a strategy for accommodating changes.

121. We consider that the Welsh Government can do more to demonstrate leadership and coordinate the response to welfare reform in Wales. Consultation should involve key partners and interested bodies to share understanding of how devolved services would be affected by changes. The example of the development of the DHP framework should not be replicated.

**The Committee recommends that the Welsh Government takes an early view of the likely impact of changes in the welfare system, including the recently-announced changes for Housing Benefit eligibility for 18-21 year olds, and consults early and widely on its proposed response.**

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<sup>86</sup> PAC(4)-18-15 PTN5, 23 June 2015

<sup>87</sup> [UK Government Summer Budget 2015, page 88](#)

## Annexe A: Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at [www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=1311](http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Ild=1311)

### 12 May 2015

<i>Name</i>	<i>Organisation</i>
Helen Northmore	Chartered Institute of Housing Cymru
Lindsey Kearton	Citizens Advice Cymru
Elle McNeil	Citizens Advice Cymru
Sioned Hughes	Community Housing Cymru
Paul Langley	Community Housing Cymru
Jennie Bibbings	Shelter Cymru
John Puzey	Shelter Cymru
Sandra Alexander	Vale of Glamorgan Council

### 19 May 2015

<i>Name</i>	<i>Organisation</i>
Claire Maimone	Neath Port Talbot Homes
Linda Whittaker	Neath Port Talbot Homes
David Lloyd	TPAS Cymru
Mike Halloran	Wales & West Housing
Steve Porter	Wales & West Housing
Jim McKirdle	Welsh Local Government Association
Steve Clarke	Welsh Tenants

### 2 June 2015

<i>Name</i>	<i>Organisation</i>
June Milligan	Welsh Government
Sara Ahmad	Welsh Government
John Howells	Welsh Government