



Evidence to the National Assembly Public Accounts
Committee inquiry on the Wales Audit Office study
*Managing the impact of welfare reform on social
housing tenants in Wales*

28 April 2015

Shelter Cymru

Shelter Cymru works for the prevention of homelessness and the improvement of housing conditions. Our vision is that everyone in Wales should have a decent home. We believe that a home is a fundamental right and essential to the health and well-being of people and communities.

Vision

Everyone in Wales should have a decent and affordable home: it is the foundation for the health and well-being of people and communities.

Mission

Shelter Cymru's mission is to improve people's lives through our advice and support services and through training, education and information work. Through our policy, research, campaigning and lobbying, we will help overcome the barriers that stand in the way of people in Wales having a decent affordable home.

Values

- Be independent and not compromised in any aspect of our work with people in housing need.
- Work as equals with people in housing need, respect their needs, and help them to take control of their lives.
- Constructively challenge to ensure people are properly assisted and to improve good practice.

Introduction

Shelter Cymru welcomes the opportunity to give evidence to this inquiry. We provided qualitative and quantitative evidence to the Wales Audit Office to help inform the study. In our view the final report provides a thorough and precise description of how local authorities and social landlords have responded to the challenges of welfare reform, which closely reflects our casework experience.

Value for money

We agree with the report's finding that the Department for Work and Pensions' impact assessment methodology is overly simplistic and does not take account of the impact of tenants downsizing or moving to the private rented sector (PRS), both of which would have the effect of reducing savings.

While it is true that the vast majority of tenants affected by welfare reform are doing their best to remain in their homes, there are also likely to be thousands who are failing to keep financially afloat and are losing their homes as a consequence.

Although there has been no formal research to evaluate how many tenants have lost their homes as a direct result of welfare reform, our research has found that social housing evictions dramatically increased during 2014. We analysed Ministry of Justice data which showed that social housing repossessions in Wales hit a seven-year high with nearly a thousand social tenant households losing their homes during 2014. This represents a 12 per cent increase on the previous year.

Possessions peaked in January to March – during these months Welsh social landlords were making more than 21 households homeless per week, or three households homeless every day.

Unfortunately there is no reliable data to tell us where these households have gone. There has been little impact on homelessness statistics but this is because homelessness services are in the process of change, with a stronger emphasis on prevention, and this has meant more households being assisted without being recorded in the official figures – an effect which should be improved from the end of April 2015 with new duties and the introduction of new statistical monitoring.

We know that during 2013/14, numbers of households accessing social housing via the homelessness route dropped to their lowest level in ten years, comprising just 12.8 per cent of lettings compared with 17 per cent the previous year. This is likely to be the result of two factors: the reduction in homelessness acceptances due to more prevention; and the higher priority that many landlords will be placing on transfers due to downsizing.

One consequence of higher levels of homelessness prevention is larger numbers of households being homed in the PRS. Our research has found that Housing Benefit costs

for smaller PRS accommodation are often more expensive than larger accommodation in the social sector. In 2013 the Local Housing Allowance (LHA) rate for two-bedroom privately rented properties outstripped rents for three-bedroom social housing by as much as 46 per cent in many parts of Wales. This effect is likely to have had a significant impact on welfare reform-related savings, but at present there has been no research to quantify this.

Given the costs of managing higher arrears and carrying out higher numbers of evictions, it is not surprising to note that social landlords have taken a financial hit in the last year. Global accounts for Wales' largest 37 housing associations show that the sector's surplus was reduced to £74 million in 2013/14, a 12.9 per cent reduction on the previous year.

Bad debts and voids increased to 3.0 per cent, from 2.5 per cent the year before.

Considering the scale of financial pressures facing social landlords, these results would appear to indicate a degree of resilience in the sector.

Our casework experience shows that many social landlords have responded to welfare reform by introducing new commercially-driven policies which place tenants' ability to pay first and foremost before housing need.

For example, we reported in our *Bedroom Tax Snapshot* report of May 2013 that some landlords were insisting on four weeks' rent in advance from new tenants, ostensibly in preparation for Universal Credit which has yet to be introduced across much of Wales.

Since the publication of our report this practice has become more widespread and we continue to see clients who are unable to take up social housing offers because they cannot raise the requisite advance rent without going into debt.

We have also seen Notices Seeking Possession being used very quickly, as a first rather than last resort, to get tenants to engage. This adds at least £250 in court costs on to tenants' debt, which is sometimes enough to more than double the amount of arrears. In 2014 there were 4,729 possession claims issued by Welsh social landlords.

With rigorous financial capability assessments now a central part of most landlords' processes for taking on new tenants, our concern is for the unknown number of people who may be unable to take up housing offers they are deemed unable to afford. There is an urgent need to understand how many social landlords have rejected would-be tenants on this basis, what has happened to those individuals' situations as a result, and what has been the consequent cost for other services.

Advice and support for tenants

Our *Bedroom Tax Snapshot* reports of May and November 2013 found a mixed picture in terms of advice and support from landlords and local authorities. Many took a very proactive approach, taking steps to reach tenants in their homes: Flintshire, for example, contacted all tenants identified as being affected by the spare room subsidy and offered

them the chance to meet with a member of the Housing Team, an offer that was taken up by 78 per cent of tenants. By contrast, we also saw tenants who had not had any communication from their landlord about whether they would be affected, and heard about their liability solely through their Housing Benefit award letters. This lack of information, combined with the extensive media coverage of the 'Bedroom Tax', meant that our clients became extremely confused and anxious about their situation, and this led to many wasted contacts between tenants, landlords and local authority Housing Benefit departments.

We found that many Housing Benefit departments were sending out clearly written letters that included details about appeal rights. However, we also found that some were failing to include information about how to challenge decisions.

The Wales Audit Office's findings around the administration of Discretionary Housing Payments (DHPs) reflect our experiences. In our view, the DHP system is critically flawed since there is no relationship between local budget size and housing need. It remains, however, a lifeline currently keeping thousands of Welsh households in their home at least for the short term.

In the wake of welfare reform we found that awareness of DHPs among our clients was invariably extremely low. Local authorities do not tend to publicise DHPs for fear of inflating demand. Surprisingly, however, we also found that a small number of landlords were not publicising DHPs: although the majority saw DHPs as an important tool to help lessen the financial pressure of welfare reform, we also came across a small number of landlords that chose not to make tenants aware of their right to apply for DHP.

In court we heard landlords argue that the reason they did not inform our clients about DHP was because their application probably wouldn't be successful and as DHPs are time-limited, the client would have to pay eventually anyway.

We would strongly welcome a more consistent approach to DHPs in Wales. If Welsh Government pursued the devolution of DHPs this would at least ensure more equitable distribution even if the pot didn't increase.

We note the report's finding that 92 per cent of local authorities and social landlords were planning to strengthen referral arrangements with independent advice agencies in preparation for welfare reform. With a few exceptions we have found that referral arrangements with local authorities are generally good: we have formal joint working protocols in place with several authorities, with several more in development. Six out of 22 authorities also provide us with financial support to provide independent advice in their areas.

However we have found that some authorities have been less easy to engage with, we believe due to competing work priorities and in some cases staff restructuring. There are some authorities that have remained reluctant to refer to us throughout the whole period.

In terms of our work with housing associations, we don't have any formal protocols in place but most associations do refer to us.

Availability and provision of alternative housing and its impact

The Audit Office report found that few landlords were planning to substantially increase numbers of smaller accommodation units. We are aware of and strongly welcome the Welsh Government's £40 million investment to support the building of 1- and 2-bed homes. It will inevitably take some years before the benefits come to fruition.

In the meantime we understand that some social landlords have begun converting what were formerly larger family homes into shared accommodation, despite lacking experience in providing this type of housing. Anecdotally we have heard that some of these conversions may not meet Houses in Multiple Occupancy (HMO) standards. However, social landlords are exempt from HMO regulations. We believe there is a role for the Social Housing Regulator here, to ensure that basic standards related to space, safety and shared facilities are adhered to.

We have had much direct experience of landlords' transfer policies and can confirm the Audit Office's finding that the majority of landlords adjusted policies in a timely way to ensure that arrears related to welfare reform could not be a barrier to downsizing. However, by the time of our second *Bedroom Tax Snapshot* report in November 2013, there remained a small number of landlords who had not yet updated their transfer policies in this way; and as recently as April 2015 we have seen a client affected by the spare room subsidy who was informed by her housing association landlord that she could not downsize since she owed water charges arrears.

There is a need to conduct further work to understand how welfare reform, as well as other legislative changes by the Welsh Government, is affecting the profile of households accessing social housing. This is not only linked to social landlords' stricter financial capability assessments referred to above, but is also evident in the significant reduction in social housing lettings from the homelessness route in 2013/14. Further changes as a result of the Housing (Wales) Act 2014 are in our view inevitable, with the severing of the route from homelessness to social housing.

Preparing for change

Our research found that many social landlords and local authorities took an extremely proactive approach to preparation. Many landlords employed additional staff to work with tenants, and there were also numerous examples of assistance funds being created.

The spare room subsidy in particular highlighted issues around the accuracy of landlords' records: we had several clients whose landlords told them they had more bedrooms than appeared in their tenancy agreements. Landlords undertook massive data-gathering exercises to ensure they held accurate information. As already mentioned, the most proactive landlords were also ensuring they made personal and sustained contact with

tenants, referring to income maximisation support and in some cases independent housing advice.

Welsh Government clearly recognised the need to strengthen certain key services and provided substantial additional funding at a number of points, as detailed in the Audit Office report. Some of this funding was in place as early as April 2011 to local authorities to help prepare private tenants for the 30th centile reduction in Local Housing Allowance. The Government has funded research into impacts and, importantly, has continued to make the case to the UK Coalition Government about the disproportionate impacts of welfare reform in Wales.

We welcomed the additional £1.3 million that was made available to top up DHPs but we noted that the funding was provided late in the financial year. For this reason not all local authorities felt they could spend the money within the tight timescale. It was disappointing that some authorities rejected this additional funding, with only around £1 million actually taken up.

We recognise that the Welsh Government is determined not to carry the direct cost of offsetting welfare cuts. At a time of considerable uncertainty about further cuts to come, we would be strongly in favour of devolution of Housing Benefits to Wales in order to mitigate against further cuts and allow a more equitable distribution of funds that might, for example, be less discriminatory to disabled people.

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