



DWP: Evaluation of Removal of the Spare Room Subsidy (Bedroom Tax)

October 2014



Introduction

Welcome to a series of regular briefings prepared by the Housing Strategy and Development team on the big issues concerning housing. These briefings will be shared with staff, tenants and elected members and keep everyone up to date with regards the ever changing policy context that we are operating within.

The Housing Strategy and Development section is responsible for:-

- Providing the statutory strategic housing authority role within the local authority area
- Supporting the development of a culture of continuous improvement in Housing services and to facilitate opportunities to excel;
- Developing and implementing effective strategies for Housing and Community Safety Services within West Dunbartonshire;
- Developing the Council's housing strategy to ensure that it supports the delivery of our strategic priorities;
- Performance management within Housing and Community Safety services; and
- Promoting effective management and the involvement of tenants across all aspects of Housing Services.

For further information on Housing Strategy and Development please telephone 01389 737889 or e-mail: housing.strategy@west-dunbarton.gov.uk

Background

This briefing paper will look at an Interim Report that presents early findings from the evaluation of the **Removal of the Spare Room Subsidy (RSRS)** undertaken by Ipsos MORI and the Cambridge Centre for Housing and Planning Research. They will publish a final report in 2015.

The objectives of the interim report are to evaluate:

- the preparation, delivery and implementation of the policy changes by local authorities and social landlords;
- the extent of increased mobility within the social housing sector leading to more effective use of the housing stock;
- the extent to which as a result of the RSRS more people are in work, working increased hours or earning increased incomes;
- the effects of the RSRS, and responses to it, of:
 - claimants;
 - landlords
 - local authorities;
 - voluntary and statutory organisations and advice services;
 - Funders lending to social landlords.

The RSRS was brought into effect on 1 April 2013. It entailed a reduction in Housing Benefit for working age social tenants whose properties have more rooms than the DWP's size criteria state that they need.

The RSRS reduces Housing Benefit for social tenants of working age with more bedrooms than they are deemed to need. The number of bedrooms required is worked out so that no one has to share a room unless they are:

- a couple;
- both aged under 10 years old;
- both aged under 16 years old and of the same sex;

No more than two people should have to share any room.

An additional room is also allowed in certain circumstances for regular overnight carers, foster carers, students or members of the armed forces away temporarily, disabled children unable to share a bedroom and people who are recently bereaved.

Those deemed to have spare rooms have had their rent eligible for Housing Benefit reduced by:

- 14% for one spare bedroom;
- 25% for two or more spare bedrooms

The DWP's Housing Benefit data show that in August 2013, 522,905 households were affected by the RSRS, which equates to 11.1 per cent of all social tenancies.

This research was carried out during the first eight months of implementation. Subsequent DWP administrative data shows a steady decline in the caseload affected by RSRS. This has occurred for a variety of reasons e.g. moving house, increasing income etc.

Methodology

The research methods for the interim report comprised:

- *A survey of social landlords throughout Britain which ran between October and November 2013. A total of 312 landlords replied in full, a response rate of just under 50 per cent with a stock profile representative of the national profile on key measures including the proportion of tenants affected by the RSRS;*
- *A survey of Housing Benefit claimants both affected and not affected by the RSRS carried out across 15 areas in October and November 2013. Face to face interviews were carried out with a total of 1,502 Housing Benefit claimants, of whom two thirds were currently affected by the RSRS according to DWP's SHBE records;*
- *Detailed qualitative interviews with 30 of the surveyed claimants affected by RSRS were carried out in November 2013 in six of the 15 areas;*
- *Case study work in ten local authority areas. This included group interviews carried out with local authority staff in the summer of 2013, qualitative interviews with social landlords in summer 2013 and telephone interviews with 47 local agencies across the ten areas in the autumn, including Children's Services, the Citizens Advice Bureau, Job Centres and local voluntary organisations;*
- *Interviews with eight of the major lenders to the HA sector were conducted during October 2013;*
- *The DWP's local authority (LA) Insights survey undertaken in October to December 2013 which included questions intended to assist this evaluation.*

The interim report has drawn upon all these sources of information, drawing on more than one source where possible to increase the validity of the conclusions drawn.

The report produces findings from the first phase of the research. A follow up survey of the affected claimants and further survey of landlords and case study work will be undertaken during 2014 to input into the final report. Some of the evidence gathered at this stage is therefore intended to provide a 'baseline' rather than fully assess the impact of the RSRS.

Key Points

Preparedness and implementation

Most social landlords felt that their staff were very well prepared for the implementation of the RSRS and the long run-in period was appreciated. Overall 87 per cent of landlords surveyed were confident they knew which tenants were affected by RSRS in at least 95 per cent of cases, and a further ten per cent knew most. Landlords working across many areas were more likely to be having difficulties in knowing which tenants were affected.

Systems for communicating changes of circumstance to landlords were not so well-developed with only around half of landlords surveyed reporting to be regularly informed by the LA about tenants starting to be affected.

Reclassification of the homes (in terms of number of bedrooms) has been very small scale, under 0.1 per cent of stock, with fewer still physically altered.

Communication with claimants

Good joint working practices were reported between local authorities and social landlords in most areas, with examples of good practice such as producing joint letters sent to tenants and agreeing who will visit.

Just over half (53 per cent) of landlords report having visited at least 90 per cent of affected tenants, and 70 per cent had had telephone contact with over 90 per cent. Claimants recall lower levels of contact: 86 per cent of the affected remember receiving notification of changes, but of those who do, most recall a letter (75 per cent of all claimants and 87 per cent of those recalling notification) while only 13 per cent recall a visit (15 per cent of those recalling). However, most affected claimants were aware of the RSRS.

Discretionary housing payments (DHPs)

DHPs have helped some households to meet their rental shortfall. Some local authorities struggle to make long-term plans for this resource and suggested that this was because of uncertainties around both future demand and the size/availability of the fund. The 2014-15 allocation was only announced in January 2014, after the fieldwork for this phase of the research had taken place. There was some variation in who was assisted, even within a local authority, in this early phase of implementation.

A key concern raised by landlords and local agencies is that disabled people in adapted homes have not always been awarded DHP because disability benefits, which are intended to help with some of the extra costs of having a long-term disability or health condition, can cause them to fail means tests based on their income. Local agencies are also concerned about some groups who fail to apply for DHP, or fail to adequately evidence their application, especially those with mental health difficulties. More than half (56 per cent) of RSRS-claimants surveyed who have not applied for DHP said they were not aware of it. The claimants who were unaware of DHP were similarly likely to other claimants to report having difficulties paying rent and similarly likely to be in arrears.

Qualitative claimant interviews highlighted the wide differences between local authorities in approaches to informing claimants about and awarding DHP. For example, most claimants in the case study area in Scotland who reported receiving DHP had applied after being informed about the availability of support face-to-face in their home. All claimants interviewed in this case study area who had applied were successful. In contrast, in three of the case study areas in England, the claimants interviewed were less likely than those in Scotland to have applied for DHPs, and also less likely to have been successful in their applications.

Changes to the amount of funding available (especially in Scotland, where the funding was topped up by the Scottish Government part-way through the year) and difficulties in anticipating the level of demand for the funding have in some areas meant that the criteria used to decide awards have changed since April – in some cases more than once. This has meant that applications declined previously had had to be re-assessed under new criteria, and that people in similar circumstances are treated differently depending on when they applied, leading to some confusion as to who would be assisted. Some agencies also did not seem to be very clear about which claimants affected by the RSRS were being helped by DHP: one interviewee said ‘pensioners’ which suggests a lack of understanding of both the RSRS and DHP.

Early impact on claimants

The DWP’s data shows reduction in households affected by the RSRS from 547,342 to 522,342 by August 2013, a fall of 4.6 per cent. The claimants survey found a similar reduction, but also highlighted some degree of flux, with five per cent of those who were affected on 1 April (according to single housing benefit extract) no longer being so by the time of the interview (autumn 2013), and a further three per cent reporting that they had been affected some but not all of the time since 1 April.

Mobility

4.5 per cent of affected claimants were reported by landlords to have downsized within the social sector within the first six months of implementation, which was a key aim of the policy. Landlords with the lowest proportion of affected tenants have downsizing rates of almost 16 per cent, four times higher than those with the highest proportion affected, despite similar proportions of affected tenants registering for downsizing. This suggests that landlords with the highest proportion of affected tenants will have more difficulties in meeting the demand for downsizing. Overall, landlords report that around 19 per cent of affected tenants have now registered for downsizing, compared to previous rates of downsizing which were typically under 0.5 per cent of all tenants downsizing in a year, although they had not yet been able to accommodate most of those who wanted to move to a smaller home.

A further 1.4 per cent of affected claimants had moved to the PRS. This was more common for the tenants of landlords based in the north of England and much less common in London.

Most claimants we spoke to in the qualitative research were reluctant to move, for a wide variety of reasons including proximity to services, work, and support networks; the claimant’s perceived need for the additional bedroom and the knowing that they would

soon cease to be affected by the RSRS – for instance because a child would turn ten or 16 and require their own room.

Finding work and increasing earnings

18 per cent of affected claimants say they have looked to earn more through employment-related income as a result of the RSRS, rising to 50 per cent of those who said they were unemployed and seeking work.

Both local authorities and landlords had encouraged tenants to find work, although they were concerned about the long-term barriers faced by tenants. Claimants also reported difficulties finding work because of disability, having been out of the workplace for a long period and having young children (and being their sole carer). Some had asked employers for additional hours in their current jobs, although employers were sometimes unable to accommodate this.

Taking lodgers

Very few affected claimants have taken a lodger. A frequently given reason was concerns around sharing their home with someone they did not know. This was a particular concern if claimants had children or if they felt themselves to be vulnerable. Some had made enquiries about taking in a family member.

Paying the shortfall

Landlords reported that, five months into the RSRS, 41 per cent of tenants have paid the full RSRS shortfall, 39 per cent have paid some and 20 per cent have paid none.

There was widespread concern that those who were paying were making cuts to other household essentials or incurring other debts in order to pay the rent. 57 per cent of claimants reported cutting back on what they deemed household essentials and 35 per cent on non-essentials in order to pay their shortfall. A quarter of claimants (26 per cent) said they had borrowed money, mostly from family and friends (21 per cent of all claimants); three per cent had borrowed on a credit card and three per cent taken payday loans, although we do not know whether they have a history for borrowing for other purposes. In addition, ten per cent had used savings and nine per cent been given money from family.

Early impact on social landlords

Nationally, 11.1 per cent of all social tenancies are affected by the RSRS. The landlords' survey found that this varies between landlords with the proportion of landlords' tenants affected varying from under five per cent to more than a quarter.

Arrears

Total arrears (for all reasons) held by social landlords increased by 16 per cent between April and October, although it must be emphasised that the cause of this is uncertain and it cannot be directly attributable to the RSRS. Landlords state that they will eventually evict RSRS-affected non-payers, though at the time of the research most were currently only in the early stages of this process. Many landlords expressed concern that collecting rent from people who can't afford to pay whilst in their current circumstances is damaging relations between landlords and tenants.

Allocations and development

Difficulties in letting larger properties were reported by 41 per cent of landlords who participated in this research – primarily of three bedroom homes. However, it should be noted that national voids figures show no statistically significant increase. Around a third of developing landlords have altered their build plans as a result of RSRS or the Benefit Cap in order to build more one bedroom homes and/or fewer larger homes.

Early impact on local authorities

Most local authorities and landlords have changed the size of homes they consider applicants to be eligible for, and are now in line with the DWP's rules. They suggest that this has contributed to increased waiting times for smaller homes for those on the waiting list, while making larger properties available for other families on the waiting list.

It was too soon at the time of the research with local authorities to establish whether there has been an impact on homelessness services arising from RSRS evictions.

Early impact on voluntary organisations, advice and support services

Children's services had been concerned about impact on foster carers prior to the change in rules allowing them an extra room. Those interviewed in the case studies reported that few foster carers are social tenants on HB and that most only have one child at a time so would only require one extra room. Concerns about a possible impact of the RSRS on foster carer recruitment had therefore diminished. It was reported that it is always hard to place siblings but this does not seem to have changed in response to the RSRS.

Voluntary sector agencies working with the single homeless reported difficulties in hostel move-on to social housing because of the shortage of one bedroom homes and reluctance of landlords to allocate single people to two bedroom homes where they would be affected by the RSRS. Moving single people to private rented housing had also become more difficult lately because those aged under 35 were now limited to LHA to cover only a single room, rather than a one bedroom flat.

As part of the implementation of RSRS, the Government worked with relevant stakeholders, including charities, advice agencies and other organisations, many of whom received public funding. Citizens Advice Bureaus (CABs) reported that people were increasingly asking for help related to welfare benefits, with some CABs saying that they had difficulty meeting the level of demand for their services. They believed that RSRS was

one of several factors causing this, although they also noted that people affected by the RSRS commonly had additional problems as well.

Conclusions

At the time of the research, four out of five claimants affected by the RSRS were reported by landlords to be paying some or all of their shortfall, although half of these had failed to pay in full. There was widespread concern about the impact of potential future evictions on local services, and on landlord finances as well as on the lives of vulnerable people.

From the interim report it can be seen that few tenants have found work or taken in lodgers. However, demand for downsizing has been greater than anticipated, although, in many areas, this demand has thus far been difficult to meet. At the time of this research, there had been very few evictions solely due to the RSRS.

The evaluation will continue to monitor this situation and any resultant impact on landlords, local authority services or on the lives of claimants themselves, in its next round of fieldwork later in 2014.

What it means for West Dunbartonshire Council?

When the RSRS first came into force West Dunbartonshire had 1980 tenants affected. This number changes all the time. In August 2014 there are 1590 tenants affected. 83% of the 1590 have a 14% reduction. In addition to this 63% are in arrears.

- West Dunbartonshire Council should continue to work with tenants who are affected by the RSRS and try to reduce the affects of this change to benefits as well as the accumulative changes to welfare reform.
- In order to meet demand the council needs to make better use of the private rented sector. For this to happen private landlords need to be encourage to rent to people who are on benefits
- Mitigate for households who are on benefits and work
- Support tenants with the transition onto universal credit when it comes
- Continue to look at development and investment strategies such as the buyback scheme
- Continue to develop housing options, including the promotion of homeswapper, local pad, etc.

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