



## **Evidence for the Public Accounts Committee Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales.**

### **About Us**

The Community Housing Cymru Group (CHC Group) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales. In 2013/14, our members directly employed 8,400 people and spent almost £2bn (directly and indirectly) in the economy, with 81% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

### **Our objectives are to:**

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

For a long time CHC has foreseen that the planned welfare reform programme will have devastating consequences for communities in Wales. We have campaigned against these proposals and have introduced the Your Benefits Are Changing campaign to mitigate the impact on those communities.

It therefore came as no surprise when a recent WAO report published evidence stating that welfare reform is having an adverse and disproportionate effect in Wales. The report found that a greater proportion of Welsh social housing tenants had had their housing benefit reduced, than elsewhere in the UK, with 51% of tenants reporting an increase in personal debt. This was backed by evidence from social landlords showing a £1.1m increase in rent arrears in the first six months of the bedroom tax.

For some Welsh social housing tenants, the changes to welfare will have created a level of hardship and a spiral of social and economic deprivation that will be hard, if not impossible, to break. This is easier to understand in the context of:

- higher (on average) unemployment than anywhere in the UK
- a heavy reliance on the public sector as an employer
- households paying 5 percent more for electricity than the rest of UK
- higher rates of digital exclusion than other UK regions
- a five-fold increase in the use of foodbanks over the last 2 years
- £4.1m cut in specialist advice services despite increasing need

## 1. Value for money

### a) Robustness of Department for Work and Pensions' impact assessments, including methodology and evidence of savings/costs resulting from the changes;

The savings are calculated in a very basic and crude way, they do not consider the impact of tenant choice on the overall Housing Benefit bill. For instance, a tenant could take in a lodger or move to the private rented sector, both of which would impact the overall bill and thus reduce any calculated savings. Wales and West Housing Association reported<sup>i</sup> that 'more than £40m of public money is set to be wasted in Wales due to the removal of the spare room subsidy from disabled people living in specially adapted properties'.

### b) The cost of managing the impact of welfare reform on the Welsh Government, the third sector, local government and housing associations;

Housing Associations have had to put vast resources into the communication of welfare change, the advice to tenants and the support of a revolving welfare timetable has been a costly process (74% have seen an increase in rent management costs). Prior to the bedroom tax/Removal spare room subsidy (RSRS), the majority of housing associations delivered literature or met face to face the affected tenants as well as creating the Your Benefits Are Changing (YBAC) campaign to raise awareness across multiple organisations. The campaign shared material and content to reduce expenditure and give a single clear message about reform, however this was still an additional cost in managing the impact which remains the sole burden of housing associations. Following the RSRS introduction, Housing Associations (HAs) also had to adapt the support and delivery of services to tenants, including changing job roles, the creation of new teams and adapting payment methods. Business plans have had to be reviewed to include substantial increases in rent arrears (an additional £1.1m during the first six months) and innovative ways created to assist tenants. Additional finance has been put into many areas of support. An example would be food parcels because food poverty has grown in tandem with welfare reform<sup>ii</sup>, as many Housing Associations (Rhondda, Monmouth, Cynon Taf included) have partnered with Fareshare Cymru. The partnership allows HAs to provide subsidised food packs to tenants who have to make decisions between home, heat or eat.

The administration of so many additional Discretionary Housing Payments (DHP) since the RSRS introduction has increased workload significantly for both HA and Housing Benefit departments, a short term solution for many tenants the scheme will be cut by 14% (£1.2M) for the current financial year with subsequent years seeing further cuts.

The RSRS/bedroom tax impact has been significant, but the national rollout of Universal Credit (UC - now live in four local authorities in Wales) brings further problems to HAs. Currently Community Housing Cymru and its counterparts in England & Scotland are recording data on the impact of UC from landlords and tenants in live areas to form a Wales and UK evidence base. 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. Localised support under the Universal Support Delivered Locally (USDL) is fragmented as Personal Budgeting Support (PBS) contracts are delivered differently across Local Authorities, early evidenced from CHC members in pilot areas have seen huge support needs for small numbers of tenants accessing the pilot. The change from a managed rent payment by a local authority to a direct tenant payment will have huge consequences for both landlord and tenant. A preferred action for all would be for tenant choice on how payments are paid.

The Welsh Government's support to those affected by council tax benefit changes has been a grateful relief to an additional cut but, along with the Discretionary Assistance Fund, the future funding for this is unclear.

## **2. Advice and Support for tenants:**

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

HAs have worked closely with their Local Authorities in supporting tenants. DHP decisions have been inconsistent but the new Welsh Government guidance which enhances current DWP guidance is a welcome action. Through the Your Benefits are Changing campaign HAs informed tenants of their options in paying the bedroom tax. Early research by the campaign found the following responses from tenants on how they would manage the additional cost:

- 75% of tenants believed that DHP would be their only option of paying the RSRS/bedroom tax
- 9% wanted to actively seek smaller accommodation through Homeswapper or HouseSwap Wales. Tenants indicated that disabilities, parental responsibility, community safety, work & cost were all factors in not being able to move.
- 12% of tenants indicated they would be prepared to pay the shortfall, worrying CHC research shows 18% of tenants affected by the change are borrowing to pay the shortfall.
- 4% of tenants would consider taking in a lodger. The YBAC website distributed lodger packs (designed by Simon Inkson) to both RSLs and tenants, but the majority of people indicated that safety, children and the effect on current benefits & income would make this an unviable option.

Houseswap Wales has been led by Cadwyn Housing Association and allows tenants to discuss mutual exchanges via facebook. The successful scheme now has over 5000 members across Wales and is sponsored by 17 different housing associations.

Local Authorities are not able to respond to the needs stated above due to a lack of DHP resources. Fundamentally the core principles of the policy are flawed, because tenants needs differ so greatly from the emphasis of the policy. An end to the policy would be welcome.

### **b) Quality/effectiveness of advice provided to tenants by third sector and local authorities;**

Advice regarding the bedroom tax/RSRS has been clearly provided by HAs through the YBAC campaign and given further support by the financial inclusion, money advice and housing teams within each housing association. Extended advice has been difficult to gauge due to numerous different legal challenges to the bedroom tax and the on-going funding cuts to advice agencies and legal aid assistance. Valleys to Coast Housing Association worked alongside other HAs, advice agencies and support groups to raise awareness of the right to challenging the RSRS/bedroom tax in Bridgend. The impact was hampered by numerous other High Court challenges ending with decisions in favour of the DWP, but the exercise was productive in bringing together multiple organisations and reiterating the importance of clarifying detail for those who should be exempt. The YBAC campaign has found 11% of tenants accessing advice to have some form of exemption.

Providing advice around the wider welfare agenda has been increasingly difficult and costly due to the changing timescales and locations of live Universal Credit sites. Awareness of Universal Credit amongst tenants varies across Wales. 54% surveyed had not heard of UC, and we are yet to see the full impact of Personal Independence Payments.

### c) Ability of tenants to access ICT, and support for increasing access;

HAs are increasingly involved in digital inclusion activities, assisting tenants in training, accessing and using digital equipment to help communities get online.

According to the National Survey for Wales 2013-2014:

- 34% of social housing tenants do not use the internet, compared to 11% in private rented accommodation and 20% of owner occupiers.
- 44% of social housing tenants do not have home internet access, compared to 19% in private rented accommodation and 21% of owner occupiers.

The Your Benefits Are Changing helpline asks all callers that are not online why they do not use the internet. Here are the reasons cited:

- 43% cannot afford to use the internet, this compares to Welsh Government's national survey result of 5%.
- 29% don't feel that they need or want to use the internet
- 21% lack the skills
- 1% cannot use the internet due to a disability
- 2% are concerned about internet security and privacy.

The social housing sector has been proactive in overcoming the three barriers to digital inclusion; motivation, affordability and skills. Our members continue to overcome the skills and motivation barriers through digital inclusion projects, but affordability is the most difficult to overcome, and more support is needed from government and internet service providers to bring down the cost for those unable to afford home broadband.

Since June 2013 Community Housing Cymru has facilitated the running of a Digital Inclusion Network to bring together those providing digital inclusion training and support to communities across Wales. The network provides an opportunity for the sharing of good practice, collaboration between organisations and an opportunity to be kept informed of policy changes and news. The network is attended by digital inclusion officers working within the social housing sector and other digital inclusion organisations.

The following case study demonstrates the involvement of the sector:

#### **Merthyr Valley Homes: Digital Merthyr**

80% of residents on the Gellideg estate in Merthyr Tydfil are affected by welfare reforms. This means they will become increasingly reliant on online access to essential services such as banking and benefits. However, less than a third of the estate is connected to the internet. Improving access and skills locally is an urgent priority. Without making improvements, Gellideg will remain at a severe disadvantage as commercial broadband is simply unaffordable.

With Nominet Trust funding, the Gellideg community have prototyped the design, installation and development of a community led network – moving from a Local Area Network to enabling access to the World Wide Web. To start, they are running a prototype with 40 homes, with a view to testing the feasibility of scaling to more than 4,000 homes across both the Gellideg and the Gurnos estates.

### **3. Availability and provision of alternative housing and its impact:**

#### **a) Level of 1 and 2 bed stock availability, including scale and affordability of housing associations' development programmes;**

Most HAs took the decision not to suddenly start building 1 or 2 bedroom properties overnight as a reaction to the bedroom tax/RSRS. Its long term future is going to be determined by subsequent elections, and development plans are a long term strategy. The Welsh Government put in place a "Smaller Properties" programme and made £20 million available in 2013/14, £5m available for 2014/15 and £15m available for 2015/16, to support the building of 1 and 2 bedroom affordable homes. HAs responded to this funding initiative and have helped develop an additional 375 units with an anticipated further 400 to follow. This would treble the current level of smaller properties available to those who wish to downsize. However further investment is required because demand from those currently wishing to be housed needs to be balanced against those wishing to downsize.

#### **b) Impact of rent arrears on ability of tenants to transfer to more appropriate property under the new arrangements;**

This differs depending on individual organisations own policies but many located within a shared common housing register have agreed that rent arrears would not prevent tenants from downsizing if this was a financially better option.

#### **c) 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;**

During the first year of the bedroom tax/RSRS we recorded that over 700 new properties were left void. This could be a direct approach of individuals to not engage with social housing due to welfare changes. This leaves many moving into the private housing sector where tenure security is weak and the overall cost of housing benefit is increased. The private rented sector is more expensive to both the DWP (housing benefit via a 3 bed Local Housing Allowance (LHA) rate is higher than a social rent) & tenant (who will still have to meet the market rate after payment of LHA). For example in Merthyr a 3 bed house will cost a social housing tenant £299 pcm in rent with a maximum £299 Housing Benefit. In the private rented sector (PRS) housing benefit would pay £376.44 pcm. Only 12% of available properties on rightmove would be met by this amount, thus leaving tenants with larger payments to be met.

### **4. Preparing for change:**

#### **a) How effectively local government, the Welsh Government and housing associations prepared for changes associated with Welfare Reform.**

HAs have prepared for the changes, the YBAC campaign being the first example, and further work is being done by Housing Associations to understand and adapt services to meet the changing need brought by Universal Credit. As previously documented, the work of the housing federations will give better insight into the support, advice and systems changes that will be required, but it is already evident that sustainable tenancies are at high risk of failure due to UC. In Scotland they are preparing for further change as the Smith Commission and 'Home Rule Bill' will allow them greater power to limit the impact of future reforms.

HAs are supporting each other through new networks, including those based on digital inclusion, advice and welfare but, this is additional work, cost and pressure on housing associations. The DWP have worked very closely with Local Authorities and Welsh Government has supported many advice agencies in preparation for further welfare changes but Housing Associations are filling many of the gaps in areas in which these statutory services are unable to assist, including: provision of alternative banking methods, digital inclusion, financial inclusion and budgeting support. There is little financial assistance available for those services that cater for general needs housing; this comes at a time when services aimed at the most vulnerable tenants in social housing are facing cuts through the Supporting People budget. The Supporting People budget funds services, often offered by or in partnership with housing associations, which are designed to prevent significant social problems, particularly homelessness. The SP budget has been cut by £10m to £124.4m in 2015/16, 7.6% of the overall Supporting People budget. To illustrate the impact of such a cut; in the region of the Vale and Cardiff, £10m is the equivalent of the annual funding for all services for men and women at risk of domestic abuse, young people with support needs, people with learning disabilities, people with mental health issues, people with alcohol issues, people with substance misuse issues, ex-offenders and families with support needs.

Since 2013 Community Housing Cymru has facilitated the running of an Advisory Network to bring together those within housing associations providing welfare, money, housing and debt advice and support to communities across Wales. The network provides an opportunity for the sharing of good practice, collaboration between organisations and an opportunity to be kept informed of policy changes and news.

**CHC, in its capacity as the membership body for housing associations, has campaigned for the following in the run up to the general election:**

- The ‘bedroom tax’ or removal of the spare room subsidy is a policy that is flawed both in practice and its financial merits. We therefore believe it should be abolished.
- The Welsh Government should have the power to prevent the greater impact of welfare reforms on the most vulnerable people in Wales, including giving tenants a choice on how housing payments are made.
- Increased investment in the social housing model. An increase in the number of social housing properties would assist in alleviating rising housing benefit bill which is driven by the private rented sector and Local Housing Allowance.

## Community Housing Cymru April 2015

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<sup>i</sup> Who Pays? -The Impact of the Removal of the Spare Room Subsidy on Disabled Residents living in Adapted Properties in Wales - <http://bit.ly/1Q2WLE>

<sup>ii</sup> Trussell Trust Foodbank use tops one million for first time - <http://bit.ly/1GK43bp>