

HOUSING BENEFIT SIZE CRITERIA: IMPACTS FOR SOCIAL SECTOR TENANTS AND OPTIONS FOR REFORM

Reductions in levels of Housing Benefit for social sector tenants based on occupancy levels were introduced in April 2013. It is often referred to as the 'spare room subsidy', 'under-occupancy charge' and 'bedroom tax' but this study uses the more neutral term of the 'Housing Benefit size criteria'. It sets out a range of reform options that would reduce adverse impacts of the policy.

Key points

- By May 2013, 559,000 social housing households were subject to the Housing Benefit size criteria, falling to 498,000 by November. This is fewer than estimated, meaning likely savings to the Department for Work and Pensions (DWP) of some £330 million in the policy's first year, £115 million below its initial target.
- Councils are making full use of Discretionary Housing Payments (DHPs) to help tenants adjust to the change. However, practice varies. There are concerns about whether current DHP provisions are appropriate for disabled tenants living in adapted homes.
- Most affected households have stayed put. Of these, around half have some rent arrears as a result of the Housing Benefit size criteria.
- In the first six months, 6% of affected households moved to avoid the size criteria. A shortage of smaller homes prevents households moving in many areas. Six months on, 22% of those still affected remained registered for a transfer or exchange.
- There are a number of concerns about the size criteria, including its failure to specify minimum sizes for single or shared bedrooms.
- Landlords have incurred extra costs for rent arrears, welfare support, rent collection, arrears management and repairs linked to more transfers.
- Possible reforms include: clearer provision for households with disabled members, redefined space standards, and requiring landlords to offer alternative accommodation before applying the size criteria.

The research

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BACKGROUND

The Housing Benefit size criteria is part of a range of welfare cuts and reforms designed to reduce the Department of Work and Pensions' (DWP) expenditure on benefits for working-age households. It is also intended to reduce under-occupation of social housing by working-age households.

The Housing Benefit size criteria is referred to by the government as the 'removal of spare room subsidy', and by opponents as the 'bedroom tax'. Other terms used are 'under-occupancy charge' and 'bedroom limit'. This study favours the neutral term, 'Housing Benefit size criteria', which is sometimes shortened to 'size criteria' in this publication. This evaluation of the first impact of the legislation draws on a wide range of official and other data and reports, as well as original research. It also sets out a range of options for reform.

The Housing Benefit size criteria policy

Since April 2013, the size criteria has applied to all working-age households claiming Housing Benefit in the social rented sector. If their home is deemed to have more bedrooms than they need, their benefit entitlement is reduced. Housing Benefit is reduced by 14% for one additional bedroom and by 25% for two or more additional bedrooms.

The DWP bedroom standard for social housing tenants provides for one bedroom for couples; single adults aged 16 or over; two children of the same gender aged up to 15; two children of either gender aged up to 9; any (other) single child or an overnight carer, where required.

This standard is essentially the same as that used to determine which Local Housing Allowance rate applies for private tenants. It is based on the 1960 social survey 'bedroom standard' (although this made no provision for carers and permitted single adults of the same gender to share a bedroom up to the age of 20, rather than 15).

Of all households in Great Britain, almost three-quarters live in homes with more bedrooms than specified by the DWP bedroom standard. Less than 3% of such households are working-age social housing tenants in receipt of Housing Benefit.

The impact of the Housing Benefit size criteria

The DWP estimated that the size criteria would affect 660,000 households. In practice, numbers have been lower. In May 2013, some 559,000 households were affected. Numbers since have gradually declined, falling to some 498,000 in November 2013. There is very limited evidence of households moving, or taking other action, to avoid the Housing Benefit size criteria before April 2013.

The total number of out-of-work benefit claimants also fell between May and November 2013. However, the reducing numbers affected by the Housing Benefit size criteria during this period can, at least in part, be seen to reflect actions by both landlords and tenants to remove households from the impact of the legislation.

An IpsosMORI survey found that, after the first six months of the policy, the Housing Benefit size criteria no longer applied to some 12% of those initially affected tenants. Roughly half of those had moved to alternative accommodation. Around one in seven ceased to be affected through work and a smaller number of cases involved households taking in lodgers or non-dependent family members.

There is evidence of more people transferring to smaller homes and, in particular, of more mutual exchanges within the sector, since April. But, by November, 22% of those still affected by the legislation remained registered for either a transfer or mutual exchange. In some areas a marked shortage of smaller homes is preventing households moving. Those constraints vary nationally, but are particularly prevalent in Wales and the north of England. This is likely to have contributed to the slower reduction in affected tenants in those areas compared with the much more rapid reduction in London.

Where people do move, there are knock-on effects. In London and other high-demand areas, transfers to smaller properties have increased the availability of larger homes for homeless or overcrowded families but reduced that of smaller homes for new applicants. In those areas where there is lower demand for family-sized homes, in particular flats, downsizing transfers have led to more properties staying empty longer before being re-let.

Landlords have responded to these pressures in various ways. Some have bought smaller homes from the private rented sector or have selectively 'redesignated' some homes as having fewer bedrooms. However, overall, such actions seem to have been on a very small scale. A minority of the landlords surveyed said they had found adjusting to the Housing Benefit size criteria manageable. Most thought the policy made it more difficult to balance supply and demand for their stock.

Issues

The introduction of the policy has raised a number of questions about both its definition and application.

Concerns for disabled tenants

There have been particular concerns about the impact on households where health or disability issues make it inappropriate for a couple or a child to share a bedroom; and households whose current home has been adapted to the specific requirements of a disabled member and/or where space is needed for disability-related equipment.

The main DWP response has been to refer to the Discretionary Housing Payments (DHPs) budgets provided to deal with hardship cases relating to the size criteria – £55 million in total for 2013/14. In particular, it envisaged DHPs as provision for disabled households living in adapted homes. In most areas, councils are on course to fairly or fully use their DHP budget. The Scottish government has also added £20 million to the total DHP budgets for Scottish councils this year.

Local practice is, however, uneven. Some councils have taken Disability Living Allowance (DLA) into account in income assessments, finding that those households receiving DLA do not meet the 'hardship' criteria for DHPs. Some councils and other agencies have expressed concern that short-term DHP awards are not the best way to support households with a long-term disability.

Bedroom size

The DWP regulations do not define a bedroom or specify minimum size requirements. In contrast, the 1935 statutory overcrowding criteria (while permitting living rooms to be available as bedrooms) set clear minimum size requirements for any room considered to be available as a bedroom for single or shared use.

Rent arrears

While most affected tenants would prefer to stay put there are questions about how far this is practical. Different surveys show slightly different results, but in broad terms suggest that close to a half of all tenants affected by the Housing Benefit size criteria are in rent arrears. Some are covering only a part of the size criteria deductions; some are covering none at all. Over time, those continuing pressures could see an increasing proportion of such tenants decide, however reluctantly, that they will need to move to smaller accommodation. Meanwhile, those pressures have resulted in considerable hardship for many tenants, and anger about the size criteria policy. This is also outlined in a related JRF study, *The impact of welfare reform on social landlords and tenants* (Power et al, forthcoming).

The evidence of the impact on rent arrears for landlords is more mixed. The Scottish Housing Regulator has found levels of arrears that can be specifically attributed to the size criteria correspond to about a quarter of the total level of the deductions under the policy. While the Ipsos MORI survey found an increase in housing association rent arrears in the months following the introduction of the bedroom limits, this could not be exclusively attributed to it.

Increased costs for landlords

There are indications that social landlords have increased investment in welfare support and managing rent collection. This is in anticipation of the introduction of direct payments as part of the rollout of Universal Credit, as well as in response to the Housing Benefit size criteria. This has had the wider beneficial effect of containing overall levels of rent arrears, despite the direct impact of the policy.

However, those actions have also added to landlords' administrative costs. Landlords have also faced costs from managing higher levels of transfers and mutual exchanges. Transfers involve a loss of rental income before vacated properties can be re-let. This can be particularly problematic where local demand for larger homes is low. Transfers also lead to increased repair costs to make homes ready for re-letting.

Options for reform

This analysis has drawn up a range of both minor and major reforms that could lessen the policy's negative impacts. These include:

- permitting an additional bedroom for households where someone claims a higher rate Disability Living Allowance;
- making clearer provisions for households with carers and those with shared responsibilities for children;
- issuing stronger guidance about the treatment of DLA awards in the income assessments for DHPs;
- reforming the DHP regime so that it is possible to make longer-term awards for households whose circumstances are not transitional;
- introducing minimum sizes for single and double bedrooms, based on the statutory overcrowding provisions (which provide an obvious precedent);
- increasing the bedroom standard to one bedroom above the current standard;
- requiring landlords to offer suitable alternative accommodation before applying the size criteria.

The full report costs out these options.

Conclusion

The policy is still in its early days. Evidence of difficulties for both landlords and tenants relates only to the relatively short time that the policy has been operating. It is not yet clear how many tenants who would prefer to 'pay and stay' will be able to do so in the long run.

To date, there are only limited indications of affected households moving into the private rented sector, but this could increase in the future as households grapple with increasing levels of rent arrears and legal actions by their landlords. Such moves into the typically more expensive private sector would increase costs for DWP.

Meanwhile, net of DHP costs, DWP might make direct savings of around £330 million in 2013/14. This is approximately £115 million less than originally anticipated. Those savings will decline over time, but they have been achieved at considerable costs for tenants and landlords.

About the project

The project was undertaken by Steve Wilcox, formerly Professor of Housing Policy at the University of York. The evaluation assembled all the evidence available from government and other sources, and supplemented this with two small sample surveys – one of social landlords, and one of local authorities in respect of Discretionary Housing Payments. All the out-turn evidence, other than the DWP November 2013 caseload statistics, relates to the first six months of operation of the Housing Benefit size criteria.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of the JRF.

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