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Dear Councillor Brunt,

Thank you for your letter of 10 February to the Secretary of State regarding the removal of the spare room subsidy in Housing Benefit. I am replying as the Minister responsible for Housing Benefit.

You are concerned about whether there is suitable housing stock for people looking to move as a result of this change. I would like to thank you for taking the time to write in to draw this issue to my attention. I would like to take this opportunity to explain further about the policy.

Previously, Housing Benefit claimants in the social rented sector generally had their rents met in full and their entitlement was not affected by whether or not they under occupied their homes. However, this was no longer considered sustainable and since April 2013, Housing Benefit for working-age tenants in the social rented sector has been restricted. These restrictions apply where people live in a property that is too large for their needs.

The Coalition inherited a Housing Benefit bill that had spiralled out of control; it doubled from £11 billion to £23 billion under the last Labour Government. Without immediate reform, it would have exceeded £26 billion by 2015. It was essential that we acted quickly and decisively to bring it under control.

As well as helping to contain growing Housing Benefit expenditure, this change is encouraging mobility within the social rented sector, strengthening work incentives and making better use of available social housing.

We need to do everything we can to improve the way we use our current social housing stock. There are widespread mismatches between household size and size of accommodation occupied by those households. We have been subsidising nearly one million extra bedrooms for those under occupying their accommodation. The situation in the social sector is in sharp contrast to what happens in the private rented sector, where tenants are more likely to consider what is affordable in terms of accommodation size and downsize when necessary as their circumstances change.

We have also been encouraging social landlords to make best use of their housing stock. There are examples of social sector landlords already doing just that – demonstrating that they have the ability to take on the economic realities and come up with innovative solutions to longstanding problems.

The Government has a comprehensive strategy in place to increase the numbers of new homes for rent. We are investing more funding in this, including a £10 billion debt guarantee scheme to support delivery of new homes purpose built for private rent and for additional affordable housing; this is on top of the existing £4.5 billion investment in new affordable homes in the period to 2015, which will lever in an additional £15 billion of private finance. The strategy will help deliver up to 170,000 affordable homes by 2015 for rent and affordable homeownership; 48,000 affordable homes were already completed in 2011/12.

It is too early to say what the overall impact of these changes will be and what choices claimants might make. Individuals may choose to remain where they are in housing that is larger than they need and fund any shortfall themselves. Some may increase their hours of work or find work, take in a lodger or seek their landlord's permission to sublet part of their property without needing to move. Others may choose to rent in the private sector or downsize to a more appropriately sized property within the social sector.

It may be the case that where claimants decide to move into the private rented sector, the rents and Housing Benefit entitlement for individual claimants will be higher than in the social sector. However, this movement frees up social rented sector accommodation for other potential tenants. In some cases, this will include existing Housing Benefit claimants on the waiting list living in the private rented sector or living in even more expensive temporary accommodation. In other situations, it could free up accommodation for tenants living in overcrowded conditions.

As you know, local authorities publicised the changes well in advance and contacted those likely to be affected. We also know that landlords are providing information and support to their tenants. These activities, combined with the information that we have provided on our website for advice organisations, should mean that claimants are getting the right level of information so that they can think about the choices open to them.

We are aware of the impact that this is likely to have on some groups. We have issued guidance to local authorities emphasising that Discretionary Housing Payments remain available for other priority groups, including those people whose homes have had significant disability adaptations.

Accordingly, we announced that we would add an additional £25 million to the Discretionary Housing Payments budget from 2013/14. The additional funding comes on top of the £190 million already set aside over the Spending Review period to help local authorities implement the Local Housing Allowance reforms. Local decision makers are better placed to make informed judgements about relative priorities and needs and to target limited resources more effectively.

Furthermore, on 30 July 2013, the Government announced an additional £35 million in-year funding to help claimants affected by changes to Housing Benefit in the social sector who need support. This consists of £10 million transitional payments distributed to all councils, £5 million funding for the least densely populated areas in the country, and a new £20 million Discretionary Housing Payment fund.

The total amount of Discretionary Housing Payment funding for 2013/14 is £180 million.

At the 2013 Autumn Statement we announced that the Government's contribution to the Discretionary Housing Payments budget will be increased to £165 million for 2014/15 and 2015/16, ensuring that the pot for people affected by the removal of the spare room subsidy is not reduced and local authorities can make long term awards where appropriate.

In developing benefit policies, it may not be possible to cover every foreseeable circumstance in a very specific way. Therefore, we think that Discretionary Housing Payments are a more effective approach.

In addition, in England and Wales, the Localism Act, which includes measures specifically aimed at helping people to downsize, will help increase mobility in the social rented sector. Landlords and local authorities should be able to decide at a local level how best to help people to downsize. There remain good reasons for maintaining that activity.

The Localism Act will remove transferring tenants who are not in housing need from the allocation rules. This will enable councils to support under-occupying tenants to find a more suitably sized property, and free up family-sized properties for other households in need. In addition, the new national home swap scheme – HomeSwap Direct - will help under-occupying and overcrowded tenants help each other to move into more suitable accommodation.

In relation to arrears, we believe it is too early to estimate the impacts of behavioural changes brought about by the removal of the spare room subsidy. Therefore, we have commissioned a consortium to carry out a two-year monitoring of the effects of the removal of the spare room subsidy measure across Great Britain, a key element of which is longitudinal research with tenants. This will explore both the short and medium term effects of the policy on tenants, including on spatial movement and possible restrictions to this.

Yours sincerely,

A handwritten signature in black ink, appearing to read "David". The signature is written in a cursive, slightly stylized font.

Lord Freud

Minister for Welfare Reform