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29 May 2013

Dear Mr Clifford,

As you may be aware your letter of 3 May to the Prime Minister has been passed to this Department for reply. You wrote on behalf of Midlothian Council regarding Housing Benefit reform. I am replying as the Minister responsible for this issue.

Previously, Housing Benefit claimants who live in the social rented sector generally had their rents met in full and their entitlement was not affected by whether or not they under occupy their homes. However, this is no longer considered sustainable and from April this year Housing Benefit for working-age tenants in the social rented sector has been restricted. These restrictions will 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 £25 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 should encourage mobility within the social rented sector, strengthen work-incentives and make better use of available social housing.

We need to do everything we can to improve the way we use our social housing stock. There are widespread mismatches between household size and size of accommodation occupied by those households; we are subsidising nearly one million extra bedrooms for those under occupying their accommodation. This is at a time where there are also over a quarter of a million households living in overcrowded conditions in the social rented sector in England, as well as 1.8 million households on the waiting list for social housing in England alone. This 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 also need to encourage 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 deductions will be made from the eligible components of the claimant's actual rent. There will be a 14 per cent reduction for those with one extra bedroom and a 25 per cent reduction for those with two or more extra bedrooms. It is estimated that approximately one in five tenants living in the social rented sector and in receipt of Housing Benefit will be affected by the change. Over 80 per cent of those affected will be under occupying their home by just one bedroom and are likely to have an average reduction in Housing Benefit of around £12 per week.

When working out the size of property for Housing Benefit purposes, the criteria used take account of the number of people who occupy the dwelling as their home, their ages and the composition of the household. These size criteria provide for a bedroom for a couple, a single person aged 16 or over, two children of the same sex under the age of 16, two children of the same or opposite sexes under the age of 10 and a sole or remaining child.

We do not define what we mean by a bedroom or what size it should be. How many bedrooms a property contains will have been determined by the landlord and reflected in the level of rent being charged.

A carer who lives in the claimant's home as their only home would be recognised in the size of property required. The criteria also recognise the need for a bedroom that is available for a carer to use who has a home elsewhere and who provides the overnight care that the claimant or their partner needs. The level of care required must be regular and expected to be constant rather than occasional in nature.]

Where parents who do not live together have shared care of their children, the children are only treated as living with the parent that is treated as responsible for them and provides their main home. For a person to be treated as responsible for a child or young person, the child or young person must normally be living with that person. If a child or young person spends equal amounts of time in different households or there is a question about who they normally live with, they will be treated as living with the person who is receiving Child Benefit for them; this is consistent with claimants living in the private rented sector.

Students studying away at university can be reflected in the size criteria for their parent's home. However, students must continue to consider and to use

their parent's home as their only home, which would be established by them continuing to maintain regular links with it outside of term time.]

While the criteria for appropriate accommodation size may differ from that used by other Government Departments for other purposes, it is consistent with the criteria applied to the majority of Housing Benefit claimants living in the private rented sector. It would be difficult to justify that claimants living in the social rented sector would have the cost of an additional room met by Housing Benefit whilst their counterparts in the private rented sector would not.

The size criteria apply to new and existing claims from April this year. Subsequent changes in the household make up will take immediate effect except where a relative living in the home dies. Legislation will allow a 12-month period where the rent is either met in full or continues to be met at the previous level.

It is too early to say what the 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.

We have 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.

Throughout our discussions on the Welfare Reform Act we referred to the need to avoid introducing overly complex rules, particularly within Universal Credit. However, we looked very carefully at the feasibility of developing specific exemptions that have been requested for a variety of groups.

We have laid amending regulations to clarify the size criteria rules for two specific groups; foster carers and the parents of Armed Forces personnel.

People who are approved foster carers will be allowed an additional room, whether or not a child has been placed with them or they are between placements, so long as they have fostered a child, or become an approved foster carer in the last 12 months.

This Government has made a commitment to the Armed Forces and because of this, adult children who are in the Armed Forces but who continue to live with parents will be treated as continuing to live at home, even when deployed on operations. This means that the size criteria rules will not be applied to the room normally occupied by the member of the Armed Forces provided they intend to return home. In addition, Housing Benefit recipients will not be subject to a non-dependent deduction, that is, the amount that those who are working are expected to contribute to the household expenses, while they are deployed on operations.

The intent of the policy was that by using Discretionary Housing Payments, the estimated 5,000 foster carers and rather fewer parents of Armed Forces personnel would be protected. We have agreed with local authority organisations improved arrangements through these regulations which put these protections beyond doubt.

These two changes will apply to tenants in both the social and private rented sectors.

Current case law for those living in the private rented sector allows claimants an extra bedroom where their child's disability means they are unable to share with another child. This will also be the case in the social rented sector.

As with all Housing Benefit claims, the determination as to whether their disability requires them to have an extra bedroom is a matter for the local authority to decide, with the help of guidance we have issued. It is important to note that the allocation is only in relation to the extra bedroom that is required – not in relation to any further spare bedrooms claimants may have.

We are aware of the impact that this is likely to have on some other groups. That is why we announced that we would add an additional £25 million to the Discretionary Housing Payment budget from 2013/14.

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.

This comes on top of the £190 million already set aside over the Spending Review period to help local authorities implement the Housing Benefit reforms,

which included an extra £130 million for Discretionary Housing Payments. Local decision makers are better placed to make informed judgements about relative priorities and needs and to target limited resources more effectively.

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.

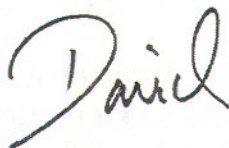
Local authorities, who will deliver this measure, have publicised the changes and contacted those likely to be affected. We also know that landlords are providing information and support to their tenants. These activities, combined with the information that we have provided on our website for advice organisations, should mean that claimants get the right level of information so that they can think about the choices open to them.

The measures will be monitored and evaluated over a two-year period which started from April this year. Initial findings will be available in 2014 and the final report in late 2015. The evaluation will include small-scale, independent primary research with a range of local authorities, social landlords and voluntary organisations.

As part of the research, we will look at supply issues, rural factors and people unable to share rooms and, where possible, it will also consider people's financial circumstances, social networks and family life.

Over 2011 and 2012, we also introduced reforms to Housing Benefit payments in the private rented sector, which are calculated under the Local Housing Allowance rules. There were a great number of negative predictions before the introduction of our Local Housing Allowance reforms. It was claimed that 42 per cent of landlords would scale back rentals to Housing Benefit claimants. It was claimed that 134,000 people would have to move home or become homeless; these fears have not come to pass. The Housing Benefit caseload has risen by over 5 per cent since the reforms were introduced in April 2011. The number of households in temporary accommodation has risen by just 900 in London, and across the country the number of families accepted as homeless is still less than half the level reached in the mid 2000s. Therefore, our experience suggests that landlords and benefit claimants are adapting to Housing Benefit reforms.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'David', with a stylized, cursive flourish.

Lord Freud

Minister for Welfare Reform