In April 2013, the UK Government introduced the ‘removal of the spare room subsidy’, more commonly known as the ‘bedroom tax. This means that if a working age tenant in the social rented sector has more bedrooms than they are deemed to need, according to criteria set by the Government, their housing benefit will be reduced.

This briefing provides details on the bedroom tax policy, reaction to it and evidence of its impact, particularly in Scotland. The Scottish Government’s mitigation of the bedroom tax in 2014-15 through funding for discretionary housing payments is also explained.
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EXECUTIVE SUMMARY

In April 2013, as part of its welfare reform programme the UK Government introduced the “removal of the spare room subsidy”, more commonly known as the “bedroom tax.” Working age tenants living in the social rented sector, with some exceptions, will have their housing benefit reduced if they have more bedrooms, according to set size criteria.

The aim of the welfare reform agenda is to reduce benefit expenditure, make the benefit system fairer and simpler and improve work incentives. The UK Government has argued that the bedroom tax will allow social landlords to make better use of social housing stock. Furthermore, it will also introduce parity with the private rented sector where a size criteria already exists.

Although many commentators agree with the overriding principles of welfare reform, the bedroom tax has been highly controversial. In particular, commentators have pointed to the lack of smaller properties for tenants to move to and the potentially negative impact on disabled tenants.

Mitigation and Discretionary Housing Payments

The Scottish Government is opposed to the bedroom tax but it does not have the power to abolish it. Instead, it has chosen to mitigate its impact in Scotland by providing local authorities with additional discretionary housing payment (DHP) funding. DHPs are used to help tenants in financial hardship to pay their rent.

UK legislation has limited the total amount that can be spent on DHPs in any one year. However, the UK Government has agreed to transfer the order making powers that set the spending limit on DHPs to the Scottish Government. This will allow £50m DHP funding to be available in Scotland in 2014-15. The Scottish Government expect every tenant affected by the bedroom tax to receive a DHP from their local authority to cover their bedroom tax reduction this year.

Impact of the Bedroom Tax

The most recent figures show that around 71,000 housing benefit claimants in Scotland have had their benefit reduced because of the bedroom tax. This represents nearly one in five (19%) of the social sector housing benefit claimants. The average reduction amounts to nearly £12 a week.

Much has been written about the impact of the bedroom tax and how landlords and tenants have responded to the policy. Some of this material is based on a relatively short period of the policy being in place and will not fully take into account the Scottish Government’s recent increase in DHP funding.

Evidence suggests that tenants affected by the bedroom tax are reluctant to move. Tenants who cannot, or who do not want to, move still need to pay the shortfall in their rent caused by the bedroom tax, otherwise they will start to build up rent arrears.
Landlords are assisting tenants wishing to move, for example, by allowing tenants with rent arrears to transfer properties where there would not normally be allowed. However, in many areas there is a shortage of suitable smaller accommodation to move to. Housing benefit data shows that the number of claimants with a bedroom tax reduction has decreased, although it is difficult to attribute this decline to the impact of the bedroom tax policy alone.

GB wide research shows that although the majority of tenants have paid some of the shortfall in rent, many tenants are cutting back on essentials to pay the shortfall. Landlords and their partners are supporting tenants to maximise their income, for example, by claiming all the benefits they are entitled to, to cope with the welfare reforms.

The Scottish Housing Regulator is monitoring the impact of welfare reform on Scottish landlords. Its most recent report identifies a slight increase in arrears levels from the same point over the past two years. Almost half, 44%, of landlords estimated that up to around 5% of current arrears were attributable to the bedroom tax. A further 24% estimated the 10% of arrears were attributable to the bedroom tax.

The UK Government has estimated costs savings of £560m in 2015-16 as a result of the bedroom tax policy. This accounts for a relatively small share, 5%, of cost savings arising from welfare reform in 2015-16. Some research has questioned the assumptions underlying the estimated cost savings. Social landlords have also pointed to additional costs they have incurred as a result of the policy, for example, dealing with more DHPs.

**Reform of the Bedroom Tax**

Some commentators have proposed ways of reforming the bedroom tax. Possible reforms include exemptions for disabled household members or redefined space standards. The Liberal Democrat MP, Andrew George, has introduced a private members bill to introduce further exemptions from the bedroom tax, including disabled tenants. The Bill passed its second reading in the House of Commons on 5 September 2014.

The UK Labour Party has said that it would abolish the bedroom tax if it won the next election and the Liberal Democrats set out proposals for change in its pre-election manifesto.

In the longer term, the UK Government will introduce proposals for constitutional reform which may include the devolution of certain welfare powers to Scotland. The Scottish Labour Devolution Commission has supported the devolution of housing benefit, as did the Scottish Conservatives’ Devolution Commission, as long as it could be “disentangled” from Universal Credit.
INTRODUCTION AND CONTEXT

The UK Government is currently implementing a wide ranging programme of welfare reform. The majority of the reforms are provided for by the Welfare Reform Act 2012 (the 2012 Act) which works alongside related legislation, for example, the introduction of the work capability assessment in the Welfare Reform Act 2007 and the Welfare Benefits Up-rating Act 2013.

One of the major changes to housing benefit, provided for by the 2012 Act, is the “removal of the spare room subsidy” (referred to in this briefing as the “bedroom tax”). This means that working age tenants in the social rented sector will have their housing benefit reduced if they have more bedrooms than they are deemed to need, according to size criteria set by the DWP.

The Government’s welfare reform agenda is aimed at reducing public expenditure, making work pay and simplifying the benefits system (HM Treasury 2010). As the DWP set out in its impact assessment (DWP 2012a), the policy aims to:

- contain housing benefit expenditure in the social rented sector
- provide an incentive to move to more suitable sized accommodation
- free-up housing for people living in overcrowded accommodation
- improve work incentives for working age claimants

The maximum amount of housing benefit private rented sector tenants can receive is limited by size criteria. The Government has argued that there should be parity of treatment between the private and social rented sectors, with claimants in the social sector having to make similar decisions to those in the private sector about affordability of accommodation.

DETAILS OF THE BEDROOM TAX

Local authorities administer housing benefit and apply the Government’s size criteria to housing benefit claims so, that where appropriate, a benefit deduction can be made.

SIZE CRITERIA

The 2012 Act contains provisions allowing the Government to make regulations about the size criteria. To summarise, a separate bedroom is allowed for each of the following:

- a couple
- an adult (age 16 and over)
- two children (under 16) of the same gender
- two children of either gender who are under 10 years of age
- any other child (other than a child whose main home is elsewhere)
- a non-resident overnight carer for the tenant, joint tenant or their partners in the property
- adult children who are in the Armed Forces, who are deployed on operations, and intend to continue to live at home on their return.
- a severely disabled child who would normally be expected to share a bedroom but is unable to do due to their disability. The child in question must have been assessed and be entitled to the Disability Living Allowance care component at the highest or middle rates.
A spare bedroom will also be allowed for:

- an approved foster carer (or kinship carers in Scotland) who is between placements, but only for up to 52 weeks from the end of the last placement
- a newly approved foster carer for up to 52 weeks from the date of approval if no child is placed with them during that time

**Definition of Bedroom Size**

The UK Government has not defined what is meant by a bedroom or what minimum size a bedroom should be. Instead, it is for the landlord to accurately describe the property in line with the actual rent charged. Landlords can reclassify the size of properties if they consider a room is too small to be used as a bedroom. However, Lord Freud has warned landlords against this approach without an appropriate reduction in rent (DWP 2012b). Evidence suggests that the reclassification of the number of bedrooms in a property is taking place on a small scale and very selectively (Wilcox 2014).

**BENEFIT REDUCTION**

If a tenant is under-occupying their home, using the above size criteria, their “eligible rent”, on which housing benefit is calculated, will be reduced by:

- 14% for one extra bedroom
- 25% for two or more extra bedrooms

For example, if the eligible rent is £100 a week, and the claimant has one extra bedroom, the eligible rent is reduced by £14. The housing benefit entitlement will be calculated using an eligible rent figure of £86 a week.

**Amount of Benefit Reduction**

Overall, the reduction in benefit averages £11.72 a week in Scotland, lower than the GB average reduction of £14.90 a week (DWP 2014a). Information on local authority breakdowns is available on the DWP’s Stat-Xplore website which is available through this link: [https://stat-xplore.dwp.gov.uk/](https://stat-xplore.dwp.gov.uk/)
GRACE PERIODS AND EXEMPTIONS

There are grace periods, where the provisions will not be applied, as follows:

- 13 weeks for anyone who could previously afford their rent (i.e. without Housing Benefit, and have not claimed it for the last year)
- 52 weeks if the reason for under-occupying is that there has been bereavement in the household.

There are also a number of exemptions to the bedroom tax:

- the tenancy is an excluded tenancy (as set out in paras 4 to 11 of Schedule 2 to the Housing Benefit Regulations 2006)
- the property is under Shared Ownership
- the claimant has an overnight carer requirement
- the claimant is the over the qualifying age for state pension, or the claimant has a partner over that age
- the charge is a mooring charge for houseboats or a pitch fee for a mobile home or caravan
- where the dwelling is temporary accommodation (the regulations provide for a very specific definition of temporary accommodation)
- where there is a temporary absence of children who live at the home -less than 13 weeks or 52 weeks for students and the young person concerned intends to return home
- the claimant lives in Supported 'Exempt' Accommodation

**APPEALS**

Tenants can appeal a local authority decision to apply a bedroom tax reduction to their housing benefit. Appeals can be made to the Social Security and Child Support First-Tier Tribunal. Decisions of the First-Tier Tribunal do not set any legal precedent therefore judgements will not necessarily apply to other similar cases. Appeals against a First-Tier Tribunal can be made to an Upper-Tier Tribunal. Upper Tribunal decisions are binding on First-Tier Tribunals.

Appeals to First-Tier Tribunals have been made over disputes about, for example:

- whether rooms are suitable to be used as bedrooms
- whether disabled occupants need extra bedrooms
- whether an additional bedroom is needed for the shared care of children

The House of Commons Library Briefing *Under-Occupation of Social Housing: Housing Benefit Entitlement* provides a summary of some of the more widely reported Tribunal cases (Wilson 2014a).

The DWP recently issued a bulletin on the outcome of a number of cases heard by the Upper Tribunal in Scotland. These decisions now provide binding case law relating to the bedroom tax that must be followed by local authorities and other First-tier Tribunals in Great Britain when making decisions (DWP 2014b).

**REACTION TO THE BEDROOM TAX**

Although many commentators agree with the overriding principles of welfare reform, the bedroom tax has been highly controversial. The Scottish Government has stated its opposition to the policy, as have many housing organisations in Scotland, for example the Scottish Federation of Housing Associations (2013).

Both the Scottish Parliament Welfare Reform Committee¹ (2014a) and the House of Commons Scottish Affairs Committee (2013) have called for the policy to be ended. The Labour Party would abolish the policy as would the Scottish Government if it had the necessary powers.

In summary, some of the arguments that have been made against the bedroom tax have included:

- it does not take into account the relatively small proportion of smaller social rented sector stock in some parts of the country
- the policy is unfair as it is applied retrospectively – tenants may have been allowed to under-occupy a property according to their landlord’s allocation policy
- the cumulative impact of the policy and other welfare benefit reforms will have an effect on tenants’ abilities to manage rent payments. Many tenants may find themselves in arrears and a vulnerable financial position
- the potential for increased rent arrears will also impact on landlords’ rental income and financial stability
- the measures have a particularly negative impact on certain groups of people, such as disabled people and families where the parents are separated and the children occasionally stay with the parent who is not the main carer.

¹ Alex Johnstone dissented from this recommendation
the policy is contrary to human rights
the bedroom tax has a disproportionate impact in Scotland because Scotland has a larger social rented sector, and a smaller proportion of one bedroom houses in the social rented sector. Scotland has a higher proportion of disabled households affected and has a higher proportion of rural and remote communities where the availability of suitable accommodation near work or social networks will be even more limited.

DISCRETIONARY HOUSING PAYMENTS (DHPS)

The Scottish Government does not have the power to abolish the bedroom tax. Instead, it has chosen to mitigate its impact by providing local authorities with additional discretionary housing payment (DHP) funding. Local authorities make DHP payments to tenants who they consider need help to pay their rent.

FUNDING FOR DHPS

The UK Government provides local authorities with funding for DHPs. From 2011, it substantially increased the DHP budget to help tenants cope with various welfare reforms, including the bedroom tax. Local authorities can “top up” their DHP allocation from their own funds. However, legislation (Article 7 of The Discretionary Housing Payment (Grants) Order 2001) limits this to 1.5 times the DWP allocation.

In September 2013, the Scottish Government announced it would provide £20m funding to local authorities to allow them to top up their DWP allocations (Scottish Government 2013). The Scottish Government also made a commitment to provide funding in 2014-15 and requested that the DWP lift the legislative cap on DHP spending. On 2 May 2014, the UK Government agreed to devolve the power to Scottish Ministers to set the statutory cap on DHPs. The power is being devolved through a “section 63 Order”\(^2\) which needs parliamentary approval in both the Scottish and UK Parliament.

Once the process of devolving the relevant powers has been completed, expected by November 2014, the Scottish Government will make a further order to lift the cap on spending. This will allow the Scottish Government to provide £35m in 2014-15 which, combined with DWP funding, will make a total budget of £50.2m.

Table 1 summarises DHP funding in 2013-14 and 2014-15.

\(^2\) A section 63 Order is an order made under section 63 of the Scotland Act 1998 to transfer functions to Scottish Ministers
Table 1: DHP Funding 2013-14 and 2014-15

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWP</td>
<td>£18,051,443</td>
<td>£15,230,343</td>
</tr>
<tr>
<td>Scottish Government</td>
<td>£20,000,000</td>
<td>£35,000,000</td>
</tr>
<tr>
<td></td>
<td>(£32,000,000 of which currently allocated, £3,000,000 has been retained by the Scottish Government to be paid against actual DHP expenditure occurred once figures are available)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>£38,051,443</td>
<td>£50,230,343</td>
</tr>
</tbody>
</table>

Source: Scottish Government 2013 *Discretionary Housing Payments in Scotland: 1 April 2013 to 31 March 2014*, Scottish Government Letter, Minister for Housing and Welfare to Local Authority Chief Executives

According to the Scottish Government, this £50.2m will be enough to fully mitigate the impact of the bedroom tax in 2014-15. It will allow those affected by the bedroom tax to:

“…claim a DHP to fully fund the housing benefit deduction for a full year – and the clear expectation of Scottish Ministers and the Scottish Parliament is that this funding will be used for that purpose and that everyone affected by the bedroom tax who applies for a DHP will receive assistance.” (Scottish Government 2014b)

Tenants will still need to apply for a DHP from their local authority. Evidence suggests there is a “hard to reach” group of tenants affected by the bedroom tax who, for various reasons, have not submitted claims for a DHP (Scottish Parliament Welfare Reform Committee 2014a). Some local authorities, Renfrewshire Council for example, are reviewing their application process to make it more streamlined.

**SPENDING ON DHPS**

DHPs are available to tenants with a range of financial difficulties, not just those who are affected by the bedroom tax. Some concern has been expressed, by Crisis (2014) for example, that as DHP budgets are under pressure to support people affected by the bedroom tax there will not be that much funding available for people who need other types of support, for example, to pay rent in advance.

Information on how local authorities spent their DHPs in 2013-14 reveals that the vast majority (81%) of awards made in Scotland helped tenants affected by the bedroom tax. These awards also accounted for the majority (77%) of DHP spend. Both these figures are substantially higher than in other parts of the country. For example, in England, 60% of DHP awards were used to help tenants affected by the bedroom tax, accounting for 43% of spend (DWP 2014c).

During a meeting of the Scottish Parliament Welfare Reform Committee (2014b), Nicola Sturgeon MSP sought to reassure MSPs that the £50m was sufficient to ensure other DHP claimants would still receive assistance. She stated that the Scottish Government’s latest estimate for mitigating the effects of the bedroom tax was “…in the region of £40m”.

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3 Personal communication
IMPACT ON TENANTS AND LANDLORDS

Much has been written about the impact of the bedroom tax on tenants and landlords. As the policy has only been in place since April 2013, much of the published information is based on a short period of policy implementation and will not fully take into account the impact of the Scottish Government’s announcement of increased DHP funding in 2014-15. Furthermore, it must also be recognised that the bedroom tax has taken place alongside other welfare reforms. Households’ circumstances will change over time anyway, for example, people reach pensionable age and are therefore not affected by the policy (JRF 2014).

In August 2014, the DWP published an interim evaluation report on the first 8 months of the policy. The research, undertaken by the Cambridge Centre for Housing and Planning Research and Ipsos MORI (CCHPR et al 2014), was based on a number of sources including surveys of social landlords and housing benefit claimants and case studies. Scottish claimants and landlords took part in the research although findings for Scotland are not presented separately. The final report will be published in 2015.

The following considers some of the impacts of the policy based on the findings of the DWP, and other, research.

NUMBERS OF TENANTS AFFECTED BY THE BEDROOM TAX

The DWP publishes statistics on how many housing benefit claimants have a reduction made to their benefit because of the bedroom tax. These statistics will underestimate the total number of tenants affected by the bedroom tax as some tenants may no longer receive housing benefit because the bedroom tax reduction is greater than the amount of benefit they were receiving.

As Table 2 shows, at May 2014, 71,292 housing benefit claimants in Scotland had a reduction applied to their housing benefit because of the bedroom tax. This represents almost 19% of social sector housing benefit claimants – higher than the 14% for GB as a whole.

Table 2: Number of Scottish social sector housing benefit claimants with a reduction in benefit because of the bedroom tax.

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>% of all social sector claimants</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-13</td>
<td>77,159</td>
<td>20.2</td>
</tr>
<tr>
<td>Jun-13</td>
<td>78,136</td>
<td>20.5</td>
</tr>
<tr>
<td>Jul-13</td>
<td>76,606</td>
<td>20.1</td>
</tr>
<tr>
<td>Aug-13</td>
<td>75,662</td>
<td>19.8</td>
</tr>
<tr>
<td>Sep-13</td>
<td>73,878</td>
<td>19.5</td>
</tr>
<tr>
<td>Oct-13</td>
<td>73,339</td>
<td>19.4</td>
</tr>
<tr>
<td>Nov-13</td>
<td>71,682</td>
<td>19.1</td>
</tr>
<tr>
<td>Dec-13</td>
<td>70,716</td>
<td>19.0</td>
</tr>
<tr>
<td>Jan-14</td>
<td>71,392</td>
<td>19.0</td>
</tr>
<tr>
<td>Feb-14</td>
<td>69,916</td>
<td>18.5</td>
</tr>
<tr>
<td>Mar-14</td>
<td>71,812</td>
<td>19.0</td>
</tr>
<tr>
<td>Apr-14</td>
<td>71,942</td>
<td>19.0</td>
</tr>
<tr>
<td>May-14</td>
<td>71,292</td>
<td>18.9</td>
</tr>
</tbody>
</table>

Source: DWP Stat-Xplore
Table 2 also shows that, compared to a year earlier around 6,400 fewer claimants have had a bedroom tax reduction made to their housing benefit. Claimants circumstances may change, for example, they might reach pensionable age which means that they would no longer be affected by the bedroom tax. Claimants can move on and off housing benefit for various reasons such as becoming unemployed or increasing their income. During the last year, the total number of social sector claimants also has reduced. Overall, the total number of social sector claimants with a bedroom tax reduction has declined by 1.3 percentage points.

The DWP investigated the reasons behind the GB decline in the number of claimants receiving a reduction in their housing benefit because of the bedroom tax. However, it concluded that the decrease in the numbers affected “…is likely to be due to a combination of factors, some of which may be attributable to the policy and others which would have occurred regardless because of claimants’ natural life events” (DWP 2014c).

**Geographic Differences**

Across GB, the proportion of social sector housing benefit claimants receiving a bedroom tax reduction varies by local authority area, reflecting differing housing stock profiles and housing pressures. Some of the London boroughs have relatively low proportions of their social sector tenants claimants affected, for example, 5% in Westminster and 6% in Kensington and Chelsea.

In Scotland, in Angus Council, 11% of social sector housing benefit claimants have had a bedroom tax reduction. This compares to higher levels of 25% and 26% in North Ayrshire and West Lothian Council respectively. The map below illustrates the geographical variation in Scotland.
Source: Data obtained from DWP Stat-Xplore, data at May 2013
Impact of the bedroom tax on disabled tenants

There has been particular concern about the impact of the policy on disabled tenants (e.g. Welfare Reform Committee 2014a and Work and Pensions Committee 2013). Disabled tenants may live in properties that have been adapted for their particular needs or may need an additional room to store medical equipment. As such, moving to another smaller property suitable for their needs may be problematic.

As outlined above, in certain circumstances an additional bedroom is allowed for disabled children and overnight carers. Apart from that there are no other exemptions for disabled tenants or occupants. So, for example, a disabled tenant who relies on their partner for care, and where they cannot share a room, will not be allowed an additional bedroom. Similarly, a young disabled adult being cared for at home by their parents will not be allowed an additional room, meaning that a care worker could not stay to give the parent carers a break from providing overnight care.

The DWP Equalities Impact Assessment (DWP 2012c) estimated that around 56% of working age social sector housing benefit claimants affected by the bedroom tax would be disabled, higher than the 37% of social sector housing benefit claimants not affected by the measure.

The Scottish Government estimated that 80% of households in Scotland affected by the bedroom tax contain a disabled person (Scottish Government 2013b). They also estimated that approximately 4,400 households including a Carers Allowance claimant have been affected by the bedroom tax in Scotland, as well as approximately 900 households where someone has an entitlement to Carers Allowance but does not claim it (Scottish Government 2014a).

The research undertaken for the DWP cited findings from its claimant survey. Close to seven in ten, 68%, of the group affected by the bedroom tax say they or someone in their household has a disability, compared to 58% of tenants not affected by the bedroom tax. (CCHPR et al 2014).

Despite various organisations calling for further exemptions to the bedroom tax to address the needs of disabled people, the UK Government has not made any proposals for change. Instead, it has pointed to the increased Discretionary Housing Payment budget to help such tenants pay the shortfall in rent. The Government point to a high court judgement (MA and others) which held that the provision of DHPs constitutes a proportionate approach to the difficulties suffered by disabled tenants. The Government has also committed to monitor the policy to ensure that the needs of disabled groups are addressed effectively in the long term (HC Deb 2013).

Some organisations raised a concern that some local authorities had been assessing disabled tenants’ disability benefits as income when they were applying for a DHP (Scottish Parliament Welfare Reform Committee 2014a). In Scotland, in 2014-15, all tenants affected by the bedroom tax should be able to receive a DHP to cover their bedroom tax reduction despite their income from other benefits.

RESPONSES OF TENANTS AND LANDLORDS

The following sections consider how tenants and landlords have responded to the introduction of the bedroom tax.
Moving

One option for tenants affected by the bedroom tax has been to move to another property. Research has suggested that tenants affected by the bedroom tax are reluctant to move for a variety of reasons (e.g. Gibb 2013, CCHPR et al 2014, JRF 2014). For example:

- tenants are attached to the area they live in
- tenants are close to services, work and their support networks
- tenants think that they need an additional bedroom
- tenants may be entitled to an extra bedroom in the near future, for example because a child would turn 16 (CCHPR et al 2014)

Where possible, landlords have been assisting tenants who want to move. For example, some landlords have revised their allocation policies to give greater priority to those who want to downsize. Some landlords may allow tenants who have arrears to transfer (where this would not normally be allowed). Others have promoted mutual exchanges as a potential option for tenants to move (Wilcox 2014, Gibb 2013).

In some areas, it may be more difficult for tenants to downsize to other social rented accommodation, even if they wanted to, as turnover rates for social housing are low and there is a particular shortage of smaller properties. The Scottish Government estimated that nationally around 60,000 households would need to move to a one bedroom property to avoid a reduction in benefit, but in contrast it estimated that only around 20,000 one bedroom properties become available for letting each year (Scottish Government 2013c). Gibb (2013) argued that it is difficult to accurately estimate how long it would take to rehouse everyone affected by the bedroom tax, with estimates varying from 3 to 10 years.

Some local authorities, providing evidence to the Scottish Parliament Infrastructure and Investment Committee’s Homelessness in Scotland Inquiry, have stated that welfare reforms, including the bedroom tax, are increasing the pressure on one bedroom accommodation in their areas. Across Scotland, the majority, 66% (24,359), of homeless applicants in 2013-14 were single people (Scottish Government 2014c). In some areas, homeless people are staying longer in temporary accommodation. As North Lanarkshire Council’s (2014) evidence to the Committee stated,

“Additionally, the small number of one bedroom properties that become available for let each year in the social rented sector is insufficient to meet demand; and single people are now more likely to refuse larger accommodation, partly due to the introduction of the bedroom tax. This has resulted in longer stays in temporary accommodation and subsequent additional and competing pressure on waiting lists for one bed properties.”

The research undertaken for the DWP found that landlords reported that 4.6% of claimants affected by the bedroom tax had downsized within the social sector within the first six months of implementation. A further 1.4% of affected claimants had moved to the private rented sector. This was more common for the tenants of landlords based in the north of England and much less common in London (CCHPR et al 2014). The researchers argued that, “…This would be higher than some had expected as the DWP’s impact assessment was modelled on the assumption that no significant numbers would downsize”.
This research was GB wide and would not have fully taken into account the Scottish Government’s announcement of full mitigation of the bedroom tax in 2014-15. It could be expected that this funding will allow tenants to stay in their properties longer.

**Paying the shortfall**

Tenants who cannot, or who do not want to move, still need to pay any shortfall in their rent caused by the bedroom tax, otherwise they will start to build up rent arrears.

The DWP commissioned research found that, five months into the policy, 41% of tenants had paid the full shortfall, 39% had paid some and 20% had paid none (as reported by landlords). Although the majority of tenants had made some payment there was widespread concern amongst those interviewed that those who were paying were making cuts to other household essentials or incurring other debts in order to pay the rent. 57% of claimants surveyed reported cutting back on what they deemed household essentials and 35% on non-essentials in order to pay their shortfall. A quarter of claimants said they had borrowed money, mostly from family and friends while 22% had applied for a DHP. Almost all tenants interviewed feared getting into arrears or debts increasing (CCHPR et al 2014).

Again it could be expected that, in Scotland, a greater proportion of claimants would have applied for a DHP given the increased funding available.

**Benefits and Income Maximisation Activities**

Many social landlords, local authorities and advice agencies have been assisting tenants affected by the bedroom tax, and other welfare reforms, to maximise their income. For example, by expanding and improving advice services, helping tenants into work, or helping tenants claim all the benefits they are entitled to. Some additional funding for advice services to deal with welfare benefit changes has been provided by the Scottish Government (Scottish Government 2013c).

A DWP (2014e) publication highlights some good practice, for example:

> Highland Council has funded both an in house money advice team as well as money advice services in seven local Citizens Advice Bureaux. The in house team has developed a budgeting game as a fun and interactive approach to budgeting which has proved to be successful with a cross-section of participants.

Research has found that some landlords reported some success in improving benefit take-up, particularly of Disability Living Allowance, although others reported that in some areas take-up had already been maximised so there was little potential remaining. A few landlords reported potential for unclaimed child-support to be claimed and used to help pay a rental shortfall for some households (CCHPR et al 2014).

The same research found that 18% of affected claimants say they have looked to earn more through employment-related income as a result of the bedroom tax, rising to 50% of those who said they were unemployed and seeking work. However, most landlords were not optimistic about the prospects for increased earnings to have a substantial impact on the numbers affected by the bedroom tax. Many areas with the highest rates of under-occupation and benefit-dependency reported particular issues with finding work in these areas (CCHPR et al 2014).
Arrears

Landlords have been concerned about the potential for their tenants to build up arrears relating to the bedroom tax and the potentially negative impact this could have on their revenue streams and on vulnerable tenants. In a literature review, Gibb et al (2013) suggest that:

“Arrears data directly arising from the under-occupation charge has not been consistently defined or interpreted (Gibb, 2013) with assumptions made about the source of tenant arrears and the adequacy of looking at specific samples and certain moments in time and generalizing accordingly. COSLA (2013) described the arrears picture as complex and changing. However it is clear from qualitative evidence in Scotland, England and Northern Ireland (e.g. Gibb, 2013; NHF, 2013; Aragon Housing association, 2013; Gibb et al, 2013) and from more robust quantitative analysis (e.g. SHR, 2013; SFHA, 2014) that arrears are potentially significant both numerical and in terms of individual burdens and hardship”

The Scottish Housing Regulator is conducting research into the impact of welfare reform on social landlords. Its latest report (2014) found that total rent arrears for all responding social landlords were rising. Arrears were £79 million at the end of December 2013. This equates to 4.2% of the total rental income due for 2013-14 – an increase from 3.6% in December 2011 and 3.7% in December 2012. However, when the total figure is broken down there appears to be differences between RSLs and local authorities. For RSLs, percentage arrears figures start at 4.06% in 2011 and decrease slightly to 3.91% in 2013. For local authority landlords, percentage arrears figures start at 3.18% in 2011 and increase to 4.50% in 2013.

Part of the Scottish Housing Regulator's research involved a survey of landlords. Almost half, 44%, of landlords that responded to a survey estimated that up to around 5% of current arrears were attributable to the bedroom tax. A further 24% estimated that 10% of arrears were attributable to the bedroom tax. RSLs reported lower levels of perceived impact on their arrears than local authority landlords (at 31 December 2013). More than 4 in 5 (84%) RSLs estimated that recent HB reductions accounted for around 10% or less of their arrears, in comparison to less than half (39%) of local authority landlords estimating the same level of attribution.

Evidence suggests that landlords have been offering considerable support to tenants as soon as there is evidence that they are struggling to pay their rent as a result of the bedroom tax, or other factors. Landlords have become much more proactive in arrears management, for example, offering advice on budgeting (CCHPR et al 2014). In Scotland, all SNP led councils have had policies of no-eviction of tenants where arrears have arisen solely because of the bedroom tax. These policies have been time limited and require tenants to get in touch with their local authority to discuss the situation.

The Scottish Government’s additional DHP funding is intended to prevent tenants falling into arrears because of the bedroom tax in 2014-15. However, some tenants may have outstanding bedroom tax arrears from 2013-14. In evidence to the Scottish Parliament Welfare Reform Committee (2014), Nicola Sturgeon MSP stressed that it is for local authorities to decide how to deal with outstanding arrears from previous years.

Prior to the introduction of the policy, some housing organisations were concerned that a loss in rental income could affect lenders’ willingness to lend to them and therefore reduce their ability to develop new housing in the future. Research suggests that the bedroom tax “…does not as yet appear to have affected their relationship with their lenders, who do not believe that default on loans is likely” (CCHPR et al 2014).
**BEDROOM TAX COST SAVINGS**

The UK Government estimates that bedroom tax policy savings to be £490m in 2013-14, £525m in 2014-15 and £560m in 2015-16 (HC Deb 2014). It is worth noting that this accounts for a relatively small proportion, 5%, of cost savings arising from welfare reform in 2015-16 (Wilson 2014b).

Researchers at the Centre for Housing Policy Studies at York University (Tunstell 2013) questioned the assumptions DWP made about the savings that the policy might make. They also argued that the policy places considerable costs on social landlords... They concluded that it “…appears possible that the under-occupation penalty may be much less able to achieve its main goal of creating UK Housing Benefit savings than projections suggested.”

**Costs to Landlords**

Landlords have cited additional costs as a result of the introduction of the bedroom tax (COSLA 2013, SFHA 2014, Scottish Parliament Welfare Reform Committee 2014a). These include:

- supporting tenants
- rent collection and arrears management
- administering DHPs
- reduced rental income because of higher void levels in larger properties).

In 2013, COSLA estimated that although the bedroom tax was estimated to save around £50m in Scotland the total annual implementation costs, including DHPs, were around £58-60m. Given the Scottish Government’s increased funding for DHPs in 2014-15, which it argues will fully mitigate the bedroom tax in that year, it would appear that there will be no saving to the public purse in Scotland in 2014-15.

The House of Commons Work and Pensions Select Committee (2014) recommended:

“…that the Government produce, by 2015, a full cost effectiveness analysis of the policy, taking into account the funding for DHPs and the additional costs incurred by local authorities and social housing providers as a result of the bedroom tax to assess the overall impact of the policy on the public purse”.

The UK Government has still to respond to the Committee’s recommendations.

**UNIVERSAL CREDIT**

Universal Credit (UC) will replace a number of benefits for working age claimants, including Housing Benefit. UC is being rolled out gradually from 2013 although full migration of existing claimants to UC is not expected to be complete until 2017.

An element for housing costs is included in the UC award. There are some differences between how the bedroom tax will operate under the current housing benefit regulations and under Universal Credit. These differences are summarised by the National Housing Federation in Table 3 below.
Table 3: Difference to the bedroom tax under Universal Credit

<table>
<thead>
<tr>
<th>From April 2013</th>
<th>Under Universal Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those over State Pension Credit age will not be affected, including where one member of a couple is over.</td>
<td>Mixed age couples - both will need to be over pension age to not be affected by the bedroom tax. Those where one is already in receipt of Pension Credit will however be protected.</td>
</tr>
<tr>
<td>Non-dependant deductions (NDD): six separate rates varying by income and under 25s on benefit are exempt.</td>
<td>One, flat-rate Housing Cost Contribution (HCC). All under 21s are exempt from HCC.</td>
</tr>
<tr>
<td>Non-dependants: couples get one room between them. They pay the NDD unless both are exempt.</td>
<td>Each adult non-dependent gets a room. Each pays the HCC unless exempt.</td>
</tr>
<tr>
<td>Lodgers get a room but income is taken into account and deducted pound for pound from benefit apart from first £20.</td>
<td>No room allowance but any income from lodgers is disregarded.</td>
</tr>
<tr>
<td>In joint tenancy cases the bedroom tax can still apply.</td>
<td>Bedroom tax not applied in non-couple joint-tenancy cases.</td>
</tr>
<tr>
<td>Protection on death for up to 52 weeks.</td>
<td>Benefits run-on for 3 months.</td>
</tr>
<tr>
<td>13 week protection where the tenant could previously afford the rent and Housing Benefit has not been claimed in the last 52 weeks.</td>
<td>Size criteria applies immediately</td>
</tr>
</tbody>
</table>


PROPOSALS FOR CHANGE

While the Scottish Parliament Welfare Reform Committee has called on the UK Government to abolish the bedroom tax, others have made proposals for change to the way the bedroom tax operates.

The Liberal Democrats, in their Pre-Election Manifesto 2014 (Liberal Democrats 2014), set out their plans to reform the bedroom tax:

“We will reform the policy to remove the spare room subsidy. The subsidy will continue to be removed for new tenants in social housing but existing social tenants will not be subject to any housing benefit deduction until they have received a reasonable offer of alternative social rented accommodation with the correct number of bedrooms. We will ensure that tenants who need an extra bedroom for genuine medical reasons or whose homes are substantially adapted do not have their housing benefit reduced.”

The House of Commons Work and Pensions Committee (2014) recommended that disabled persons who are in receipt of the higher level mobility or care component of Disability Living Allowance (DLA) and the equivalent in Personal Independence Payment (PIP) should be exempt from the bedroom tax. The Committee suggested that if the Government is unwilling to use DLA and PIP entitlement to establish a right to an exemption for disabled people, then the exemption already applicable to households containing disabled children who are unable to share a room because of their severe disabilities, should also apply to disabled adults.

Wilcox (2014) set out a number of reform options including:
• “making clearer provisions for households with carers and those with shared responsibilities for children
• reforming the DHP regime to encourage longer term awards for households whose circumstances are not transitional
• permitting an additional bedroom for households involving someone with a higher rate DLA
• introducing minimum sizes for single and double bedrooms, based on the statutory overcrowding provisions
• increasing the bedroom standard to one bedroom above the current standard
• requiring offers of suitable alternative accommodation before the size criteria limits are applied.”

Wilcox also suggests, “…A final option would be to abandon the current policy, and to take a fresh look at how to structure the Housing Benefit system for social sector tenants so that it better relates to their housing needs. One long-term option would be to introduce a LHA-style policy regime along similar lines to the regime currently operating for private tenants”.

House of Commons Private Members Bill

Liberal Democrat MP Andrew George’s Affordable Housing Bill aims to introduce three amendments to the bedroom tax. Briefly, the Bill would make exemptions to the bedroom tax for:

• certain disabled occupiers in adapted accommodation
• certain disabled occupants in receipt of Disability Living Allowance (DLA) or Personal Independence Payment (PIP) who are not able to share a bedroom
• all claimants where their landlord or local authority has not made a reasonable offer of alternative accommodation.

The Bill passed its second reading, by 306 votes to 231, on 5 September 2014. The next stage of the Bill is the Committee stage. A House of Commons briefing on the Bill (Wilson 2014) is available at this link: http://www.parliament.uk/briefing-papers/SN06968.pdf
A diagram explaining the full stages a bill in the House of Commons must proceed through is available at this link: http://www.parliament.uk/about/how/laws/passage-bill/

Inside Housing (2014) has reported that some “sector experts” have said that as the bill does not define what is meant by a “reasonable offer of alternative accommodation” the bill would lead to legal challenges, appeals and more administration costs for social landlords.

Devolution of Housing Benefit

The Scottish Labour Party’s Devolution Commission supported the devolution of housing benefit. The Scottish Conservatives Devolution Commission also argued that there is a case for devolving housing benefit, if it can be disentangled from Universal Credit. If housing benefit is devolved it could allow the Scottish Government to decide whether to keep the bedroom tax provisions or not. SPICe briefing Welfare in Scotland: Current Changes and Future Proposals (Berry, Georghiou Kidner and Lyall 2014) provides more information on these proposals.

Following the no vote in the Scottish Referendum the Prime Minister set out plans to introduce proposals for constitutional reform to devolve more powers to Scotland (Guardian 2014). The specific details of the proposed reforms will be published later in the autumn.
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RELATED BRIEFINGS

SB 14-56 Welfare in Scotland: Current Changes and Future Proposals (1,237KB pdf)

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