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Llywodraeth Cymru
Welsh Government

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Cardiff Bay
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25

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Dear Darren

Public Accounts Committee Report: Responding to Welfare Reform in Wales

Thank you for the copy of your Committee's report, which was sent to the Permanent Secretary on 28 July 2015.

I enclose a copy of the Welsh Ministers' response to the above report which will be laid before the Table Office.

On behalf of the Cabinet, I would like to thank you and the Committee for the careful and considered way in which you undertook the investigation and produced the report.

Regards
Lesley

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Minister for Communities and Tackling Poverty

Appendix 1

Response to the Report of the National Assembly for Wales Public Accounts Committee Report on: Responding to Welfare Reform in Wales published on 28 July 2015.

We welcome the Committee's detailed consideration set out in its report. The following responds to each recommendation.

Recommendation 1

The Committee recommends that the Welsh Government develops a strategy to manage the impact of welfare reform where it has reduced welfare payments in Wales. This should identify best practice, provide coherent leadership and increase consistency between the approach taken by local authorities, housing associations and the third sector to welfare reform.

Partially Accepted

The broad principles behind the Committee's recommendation are accepted. The Welsh Government sees mitigating the impact of welfare reform as one element of its wider strategy on tackling poverty¹. There is not a compelling case for another, separate, strategy. The Welsh Government will continue to provide leadership in this area with a view to identifying the need for action and delivering a planned and co-ordinated programme in conjunction with stakeholder organisations to help people to cope with the impact of welfare reform. The programme would be part of, and would contribute to, the implementation of the Government's strategy to tackle poverty.

Since September 2011, the Ministerial Task and Finish Group on Welfare Reform has monitored the likely impact of welfare reform and provided strategic oversight for the actions being taken in mitigation. The Ministerial Task and Finish Group commissioned a comprehensive programme of research to assess the impact of these reforms. All research reports have been published on the Welsh Government's webpages. This analysis has been shared, via a series of Stakeholder Events, with a range of organisations actively involved in dealing with the impact of welfare reform. These events have enabled those organisations to share their insights and give feedback to Ministers, most recently in June 2015.

The Welfare Reform and Work Bill will bring further welfare benefit changes and cuts, as outlined within the UK Summer Budget 2015 on 8 July 2015. The Ministerial Task and Finish Group have commissioned further research to assess the likely impact of these reforms in Wales. It is anticipated the next research report will begin to be available this autumn.

A Welsh Government-led Task and Finish Group to consider work to mitigate the impact of the Housing Benefit size criteria reported in February 2014 making a total of 16 recommendations – all of which have been implemented.

The Welsh Government will continue to work with Local Authorities, Registered Social Landlords and Third Sector organisations to identify the need for further action and to deliver through existing programmes and new action additional support to help people to cope with further welfare reform.

¹ <http://gov.wales/docs/dsjlg/publications/150327-child-poverty-strategy-walesv2-en.pdf>
<http://gov.wales/docs/dsjlg/publications/150701-tackling-poverty-action-plan-2015-en.pdf>

Recommendation 2

The Committee recommends that the Welsh Government publish the suite of options considered by the Ministerial Task and Finish Group for responding to welfare reform. This should include a cost/benefit analysis of mitigating the full impact of the removal of the spare room subsidy through discretionary housing payments, as the Scottish Government chose to do.

Partially Accepted

During this term of Government, the Ministerial Task and Finish Group has considered a wide range of actions which the Welsh Government might need to take in response to welfare reform, ranging from policy decisions required in direct response to UK Government decisions, to indirect action to tackle potential consequences. It would be impracticable to publish details of every aspect the Group has considered, however a summary of the Welsh Government's response to welfare reform will be added to the welfare reform pages on our website.

Our research has considered the likely impacts in Wales of mitigating the impact of the Housing Benefit size criteria and also provides an indication of the costs and benefits which may materialise if the Welsh Government mitigated the full impact of the policy via increased discretionary housing payments. However the opportunity cost of diverting funding into a recurrent commitment of some £20m per year outweighed the estimated benefits. The Welsh Government had already entered an annual commitment of a similar magnitude on Council Tax Reduction (benefitting 307,000 households at the end of 2014/15) and with budgets decreasing, we would have had to cease or reduce other programmes which had a longer term, preventative value, such as action to prevent homelessness, in order to mitigate the impact of the Housing Benefit size criteria.

Recommendation 3

The Committee recommends that the Welsh Government collects and evaluates key data from the Department for Work and Pensions, local authorities and housing associations in relation to: -the profile of Housing Benefit recipients in Wales; -rent shortfalls; -debt collection costs; -referrals to food banks and advice services; -the number of financial capability assessments carried out; and -information from tenants on the personal impact of welfare reform. This should also include information on the removal of the spare room subsidy to identify how many tenants have moved or lost their home, transferred to another social housing property or into the private rented sector, and no longer claim Housing Benefit.

Partially Accepted

As part of its work to understand and assess the impact of welfare reforms on people in Wales, the Welsh Government monitors and considers data from a wide range of sources. This includes data on the profile of Housing Benefit recipients in Wales on which the Department for Work and Pensions publishes data on a quarterly basis.

By way of examples of other data monitoring, information on rent shortfalls is collected from social landlords in the form of rent arrears data. This annual count is disaggregated by Local Authority and whether arrears are for less or more than 13 weeks at the point the data is collected. It is extremely challenging to gauge rent shortfalls in the Private Rented Sector as the sector is more disparate.

Evidence on debt collection costs is provided in the Department for Work and Pensions' evaluations of welfare reform. The Welsh Government liaises with the Department for Work and Pensions on research and evaluation. Data on food banks is obtained from providers, such as The Trussell Trust, which runs a network of food banks across Wales. Preliminary discussions have also been held with them about the data they collect and whether more detailed information is available to inform a full and accurate statistical analysis on the use of food banks. We are currently investigating what data are currently available, and whether any improvements are achievable using existing sources and research evidence. Linked to this, we have a commitment in the Tackling Poverty Action Plan to develop a set of indicators on food poverty. This work is ongoing, with the view to providing

population level data on food poverty. Data on referrals to advice services are also considered from providers such as Citizens Advice and Shelter Cymru, which receive funding from the Welsh Government.

Financial capability assessments are a topical issue and are the subject of current action to study the policies and practices of Local Authorities and Registered Social landlords (see response to recommendation 8).

Information on the personal impact on tenants of welfare reform including, for example, the impact of the Housing Benefit size criteria has been considered as part of joint working with Local Authorities, Registered Social Landlords to help people to cope with changes to Housing Benefit. We will continue to consider the use of periodic data collection exercises intended to inform the wider challenge of mitigating the impact of welfare reform on tenants in the social-rented sector. This may be something which is commissioned as part of our research programme. In the meantime, our research has drawn on survey data published by UK Government departments and research organisations. We are also proactive in monitoring emerging evidence, for example, evaluations undertaken by the Department for Work and Pensions, and analysis published by the Joseph Rowntree Foundation and Citizens Advice Bureau.

Recommendation 4

The Committee recommends that the Welsh Government undertakes a modelling exercise on the future profile of the social housing market and its needs.

Partially Accepted

The prime responsibility for assessing housing need lies with Local Authorities and is currently undertaken through their Local Housing Market Assessments, which inform Local Development Plans. Each Local Authority is required to update its assessment so at any point in time it is no more than two years old.

Increasing housing supply is one of the Welsh Government's top priorities and the need to provide housing of the right type is recognised. This is reflected by its investment in building smaller properties in response to the previous round of welfare reforms. Modelling future demand for properties of different sizes is a challenge for us and for Local Authorities, and we are aware further research may be necessary. We will consider this in parallel with considering the findings of other research. The Public Policy Institute Wales has been engaged in updating the assessment of housing need and demand, which was published in 2010. Its work will, in due course, allow us to determine the best way of responding to changing needs and circumstances, such as those caused by the impact of further welfare reforms on individuals, such as young people. In turn, this will inform us on the best use of the investment of our Social Housing Grant, taking into account housing needs which stem from welfare reform alongside consideration of other factors which influence the scale and nature of identified housing needs.

Recommendation 5

The Committee recommends that the Welsh Government should undertake a cost/benefit analysis of providing Discretionary Housing Payments to tenants with disabilities in significantly adapted homes.

Partially Accepted

This information would be beneficial and is something Welsh Government will explore with the Department for Work and Pensions and Local Authorities.

Currently, Local Authorities are not routinely required to record all their decisions for Department for Work and Pensions' statistical purposes². They only provide details of successful applications which

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300220/discretionary-housing-payments-guide-apr-14.pdf

have arisen due to welfare reforms (i.e. benefit cap, removal of spare room subsidy in social rented etc.) and also record the intended outcome (removal costs, remain in adapted property etc.)

Most importantly, Local Authorities, having made an award do not follow up and routinely evaluate if the outcomes were achieved.

As this is a non-devolved area, Welsh Government would be relying on the goodwill of Local Authorities to participate in the process and asking them to record more detailed information. However, discussions with Local Authorities will take place as such action would be in Authorities' own interests in being able to evidence decisions for people generally and, with equality duties in mind, for specific groups within the population e.g., groups with protected characteristics.

Recommendation 6

The Committee recommends that the Welsh Government should evaluate the use and disposal of void properties.

Accepted

The statistics do not indicate a substantial increase in voids but one of the effects of the latest welfare reforms, particularly the lower household benefit cap, may be an increase in the number of voids. Social landlords are responsible for managing their stock and property assets. If a problem with the number of voids comes to the attention of the Welsh Government as a result of our regulation of Registered Social Landlords or from ongoing dialogue with Local Authorities and Registered Social Landlords on preventing homelessness, the need for action will be considered. When reviewing the use of periodic data collections exercises (response to Recommendation refers), we will consider collecting data on voids as part of the scope and content.

Recommendation 7

The Committee recommends that the Welsh Government explores how widespread the practice of converting larger social housing into shared accommodation is, and whether regulation is required to ensure that housing standards are acceptable.

Partially Accepted

It is for social landlords to respond to the housing needs profile in their areas and to use their properties flexibly to ensure they meet the current and future needs of their residents. We will continue to keep their use of larger properties under review. We are aware of a small number of such developments but will liaise with Local Authorities and Registered Social Landlords to ascertain the extent of developments to date and any future plans.

However, the Welsh Government is determined all social housing tenants should live in a decent home and all 225,000 social housing properties must meet the Welsh Housing Quality Standard by 2020. The Standard would apply to any social housing converted into shared accommodation, which addresses the Committee's concerns. We are already taking significant measures to ensure compliance. These include a requirement on all social landlords to submit detailed annual statistical returns showing achievement against the Standard. For those receiving grant to help with achievement of the Standard, there is a requirement for annual submission of 30 year business plans, which are analysed and robustly monitored.

There is also a requirement for all social landlords to have a Compliance Policy, developed in consultation with tenants, in place by 1 April 2016. This must demonstrate how achievement of the Standard has been verified. Powers were taken in The Housing (Wales) Act 2014 for Welsh Ministers to ensure compliance with the Welsh standard if necessary and this is underpinned by £108 million per annum in Major Repairs Allowance from the Welsh Government.

It is also important to note housing conversions must also comply with the Building Regulations and any necessary planning conditions.

Recommendation 8:

The Committee recommends that the Welsh Government monitor the impact of financial capability assessments and undertake research into the profile of applicants who fail them.

Accepted

The Welsh Government is already in the process of undertaking a study in conjunction with Community Housing Cymru and the WLGA to examine collaboration between Registered Social Landlords and Local Authorities on preventing homelessness. The study will consider policies and practices, which will consider the impact of financial capability assessments on access to social housing. Social landlords consider information on the financial circumstances of potential tenants to assess their need for social housing and this is often used to identify the need for support to help them to take up their benefits entitlement and to manage their income. The results of this study will enable the impact of financial capability assessments to be considered, which will inform discussions with Local Authorities on the sampling of applicants who fail them in order to determine characteristics and profile. This will inform developments and action and the need for any additional research.

Recommendation 9

The Committee recommends that the Welsh Government takes action to ensure that social landlords cannot prevent tenants from transferring to smaller properties if they have arrears which have arisen as a result of the removal of the spare room subsidy.

Accepted

The study mentioned in response to Recommendation 8 above will also examine local policies and practice for tenants who want and/or who may need to transfer to smaller properties. Our initial consideration of this, based on dialogue with several Local Authorities, indicates arrears caused by the Housing Benefit size criteria are not a barrier used by landlords to prevent a tenant transferring. The Welsh Government will take appropriate action in cases where further research shows otherwise.

Recommendation 10

The Committee recommends that the Welsh Government undertakes an audit of social housing evictions and the outcomes for households post-eviction.

Partially Accepted

The broad rationale for such work is accepted. The precise reasons for evictions are many and varied. The Welsh Government's approach is to prevent homelessness in the first place and this is at the heart of the new homelessness legislation, which came into effect in April this year. Assessing the reasons for eviction is easier than tracking the outcomes for households' post-eviction, which poses challenges in terms of research. We will consider with stakeholders how such a study could be done with a view to commissioning future research.

Recommendation 11

The Committee recommends that the Welsh Government should review its policies for social housing landlords and provide guidance to ensure those in the greatest housing need are being assisted, regardless of financial means.

Partially Accepted

The 1996 Housing Act and the Code of Guidance for Local Authorities on the Allocation of Accommodation and Homelessness 2015 already provide information and guidance for social landlords on categories of people who have priority for social housing such as vulnerable people,

people with medical conditions, homeless people and those fleeing domestic violence. Thus, those in greatest housing need already receive appropriate assistance.

An updated version of the Code was published in April this year to coincide with, and to reflect the change brought in by, the commencement of new homelessness legislation in Part 2 of the Housing (Wales) Act 2014. The Code is kept under review with updates needed as a result of case law. It has been developed as a web-based reference document, which enables prompt and timely updating when required. The next update, which depends on the outcome of discussions with Local Authorities and Third Sector organisations on the implementation of the new homelessness legislation set out in the Housing (Wales) Act 2014, will be considered in October this year. Identifying the need for possible updating of the Code or further clarification on matters of policy or law within the Code is part of arrangements to monitor the implementation of the new legislation, which is designed to ensure consistent practice in all areas.

The financial position of individuals in need of housing is recognised as are the Committee's concerns. The findings of the survey of Local Authorities and Registered Social Landlords, which will examine the assessment of people's financial situation, will inform updating of the Code and the need for further advice and guidance to Local Authorities.

Recommendation 12

The Committee recommends that the Welsh Government should consider providing the advice services sector with a longer-term funding proposal so services can be planned more effectively.

Accepted in principle

The importance of a sustainable funding platform for the planning and delivery of effective advice services is recognised. The Welsh Government has established the National Advice Network to develop an evidence-based strategy upon which a longer term funding proposal for advice services will be based.

The Welsh Government is committed to supporting the provision of free and independent advice services to ensure people are better equipped to take control of their own affairs and to exercise their rights and responsibilities. The Welsh Government considers support for the most vulnerable people in our society to be particularly important to enable them to have access to free and independent advice, particularly on social welfare issues.

The Government's commitment is reflected by the £2 million of funding made available this financial year to support front-line advice services on issues relating to welfare benefits, debt, housing and discrimination, and also by the £2.2 million supporting the *Better Advice Better Lives Project*, which helps people claim the benefits to which they are entitled.

The relatively late timing for the UK Government's Comprehensive Spending Review later this year presents difficulties in considering firm allocations at this point in time for advice services beyond current commitments. We will maintain communications with advice providers between now and the point at which future funding decisions can be taken.

Recommendation 13

The Committee recommends that the National Advice Network evaluate the balance of advice provision between social landlords and independent services, including surveying tenants to identify their accessing of advice services and savings made from use of advice services. This should also include an evaluation of the services lost as a consequence of reduced funding for advice services.

Partially Accepted

The National Advice Network has developed a work plan for 2015-16, which includes mapping the current provision of information and advice services. These include, but are not limited to, the information and advice provided by social landlords and independent agencies.

The Network will consider a range of existing data sources before determining whether further research or evaluation is necessary before undertaking an objective advice needs analysis which reflects advice seeking behaviours. The measurement of impact and outcomes of advice will also be considered later this year.

The evaluation of advice services lost as a consequence of reduced funding is more challenging in terms of research as there would be practical difficulties in obtaining information where services have ceased to exist as a consequence. A much broader range of internal and external factors will have affected individual advice providers' ability to mitigate the impact of any financial loss and, where they already exist, advice networks offer an opportunity to learn from each other. The Network is considering how this best practice sharing can be taken forward across Wales.

Recommendation 14

The Committee recommends that the Welsh Government exercises greater influence to ensure a consistent approach to the use of discretionary housing payments across Wales.

Accepted

As a result of the Housing Benefit size criteria, applications for Discretionary Housing Payments have dramatically increased. The best possible use must be made of limited funds. Following work to consider the ways in which Discretionary Housing Payments were being used and using Cardiff City Council's approach (as the exemplar in the administration and deployment of Discretionary Housing Payments), a new approach was agreed with Local Authorities in April this year. This was designed to ensure tenants who are struggling to meet their rental costs are able to access Discretionary Housing Payments financial assistance in a fair and consistent way. The Welsh Government, the Welsh Local Government Association, the Welfare Reform Club and Local Authorities, have worked closely together to develop new protocols for awarding Discretionary Housing Payments.

The new approach is underpinned by a focus on ensuring Local Authorities assist tenants with the underlying problems causing them hardship. Tackling the root causes of a tenant's difficulties, as seen in the approach adopted by Cardiff City Council, helps to minimise the chances of recurring problems i.e. a cycle of repeated difficulties. The assistance includes providing advice and referring people to other appropriate agencies.

Local Authorities are responsible for administering the fund and use guidance provided by the Department for Work and Pensions. The guidance has been criticised for its lack of clarity, which has contributed to inconsistencies in the award of payments, especially for disabled people and those who occupy specially adapted properties. The new protocols are set to be used alongside existing Department for Work and Pensions guidance and will help Local Authorities award the funding in a fair and consistent way. The framework has enabled a consistent approach by the Local Authorities to disability benefits.

Recommendation 15

The Committee recommends that the Welsh Government monitors and publishes the uptake of discretionary housing payments in Wales, including how local authorities and social landlords inform tenants of the availability of payments and the information provided to unsuccessful applicants.

Partially Accepted

Welsh Local Authorities have a very good record of spending allocations from the Department for Work and Pensions. The Welsh Government has considered this as part of its work to ensure a more consistent approach to the use of the funding across Wales. This will continue to be done as part of the overall approach to helping people to cope with the changes and as part of the Welsh Government's priority for preventing people from becoming homeless. As part of this, it is anticipated the ways in which the Funding is brought to the attention of the public will be considered. The information provided to applicants who are unsuccessful in their claim is a matter for the Department for Work and Pensions. In such cases, the application will result in a generic disallowance form being issued to the applicant by Local Authorities.

Recommendation 16

The Committee recommends that the Welsh Government requires all local authorities and housing associations to publicise discretionary housing payments, including the associated eligibility criteria. They should also ensure that disability-related benefits are not used in income calculations, and explain why they have not made use of Discretionary Housing Payments where appropriate.

Accepted

This matter is non-devolved and is the responsibility of the Department for Work and Pensions. Local Authorities are in a very difficult position. Discretionary Housing Payments funds are finite and increased pressures on people's income from welfare reform changes and greater publicity will result in increased demand. Some Local Authorities try to help as many tenants as possible, which can result in the funding being spread thinly. Others target particular groups, which means the assistance does not cover everyone who may need it or be aware of it. Given the need to make the best possible use of limited funds, the new framework is aimed at those in greatest need and who are looking to help themselves. The new framework allows for disability benefits to be taken fully into account and any expenses linked to the benefit should be offset i.e. laundry, mobility etc. Special rules apply to Disability Living Allowance and Personal Independence Payments as a result of the recent Sandwell case. This action is supplemented by action by the Welsh Government e.g. past work on the Discretionary Housing Payments (response to Recommendation 14 refers); monitoring implementation of new homelessness legislation, to ensure consistent practice and assistance for individual in all areas.

Local Authorities have been advised to disregard all components of Disability Living Allowance (and Personal Independence Payments) in the Discretionary Housing Payments financial assessment, whilst continuing to take account of all expenditure. This, and the Local authorities' use of Discretionary Housing funding, will be considered as part of the Welsh Government's overall approach to helping people to cope with the changes which result from further welfare reform.

Recommendation 17

The Committee recommends that the Welsh Government takes an early view of the likely impact of changes in the welfare system, including the recently-announced changes for Housing Benefit eligibility for 18-21 year olds, and consults early and widely on its proposed response.

Accepted

The potential impact of further changes to the welfare system gives considerable cause for concern. We have already undertaken an early analysis of the potential impacts of the welfare cuts included in the UK Government's Summer Budget 2015. Members of the Committee will be aware of some of our initial conclusions from the additional information (sent 18 June) provided after the Committee's meeting on 2 June. Further work is already in hand as part of our programme of more detailed research to consider the potential impacts. We anticipate our next research report will be received this autumn 2015.

We will continue to work with Local Authorities, Registered Social Landlords and other Third Sector providers to consider the impacts of welfare cuts and action to help people to cope with the

changes. We will continue to utilise existing mechanisms such as our Ministerial Task and Finish Group on Welfare Reform, our Tackling Poverty External Advisory Group and our existing networks, such as our Supporting People and Homelessness networks.