



The Scottish Parliament  
Pàrlamaid na h-Alba

## WELFARE REFORM COMMITTEE

### AGENDA

**17th Meeting, 2013 (Session 4)**

**Tuesday 5 November 2013**

The Committee will meet at 10.00 am in Committee Room 3.

1. **The 'Bedroom Tax' in Scotland:** The Committee will take evidence on research it commissioned on the impact of the 'Bedroom tax' in Scotland from—

Professor Ken Gibb, Professor in Housing Economics and Director for Public Policy, University of Glasgow.

2. **Draft Budget Scrutiny 2014-15 (in private):** The Committee will consider a draft report to the Finance Committee on the Scottish Government's Draft Budget 2014-15.

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The papers for this meeting are as follows—

**Agenda item 1**

The 'Bedroom Tax' in Scotland - report

WR/S4/13/17/1

**Agenda item 2**

PRIVATE PAPER

WR/S4/13/17/2 (P)



The Scottish Parliament  
Pàrlamaid na h-Alba

**Welfare Reform Committee**

**5<sup>th</sup> Report, 2013 (Session 4)**

**The ‘Bedroom Tax’ in Scotland**

**Published by the Scottish Parliament on 19 October 2013**

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The Scottish Parliament  
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## **Welfare Reform Committee**

### **Remit and membership**

#### **Remit:**

To keep under review the passage of the UK Welfare Reform Bill and monitor its implementation as it affects welfare provision in Scotland and to consider relevant Scottish legislation and other consequential arrangements.

#### **Membership:**

Annabelle Ewing  
Linda Fabiani  
Jamie Hepburn (Deputy Convener)  
Alex Johnstone  
Kenneth Macintosh  
Michael McMahon (Convener)  
Kevin Stewart

#### **Committee Clerking Team:**

##### **Clerk to the Committee**

Simon Watkins

##### **Assistant Clerk**

Rebecca Lamb

##### **Committee Assistant**

Kevin Dougan



The Scottish Parliament  
Pàrlamaid na h-Alba

**Welfare Reform Committee**

**5<sup>th</sup> Report, 2013 (Session 4)**

**The 'Bedroom Tax' in Scotland**

The Committee reports to the Parliament as follows—

In June 2013, the Committee commissioned research on the impact of the 'Bedroom Tax' in Scotland from Kenneth Gibb, Professor in Housing Economics and Director of the Centre for Public Policy at the University of Glasgow.

The Research is attached as Annexe A to this report.

## **ANNEXE A: THE 'BEDROOM TAX' IN SCOTLAND**

# **The 'Bedroom Tax' in Scotland: A report on the Housing Benefit Under-Occupation Charge to the Welfare Reform Committee of the Scottish Parliament<sup>1</sup>**

**Professor Kenneth Gibb**

**University of Glasgow**

**October 2013**

## **EXECUTIVE SUMMARY**

- The under-occupation charge is estimated by the Scottish Government at May 2013 to affect around 82,000 households in Scotland and cost them an average of £50 a month with 80% of those households including a disabled adult and 15,500 of the total cases consisting of families with children.
- The charge is highly controversial. There continues to be legal challenges against the Housing Benefit reductions (e.g. recent Sheriff judgements in Dundee and Glasgow) as well as appeals relating to specific individual circumstances. The Labour Party has pledged to abolish it if it wins the next UK general election and the Scottish Government has also pledged to do the same if it wins the independence referendum. Moreover, Scottish politicians both in Parliament and locally are debating whether or not to fully fund the cost of the under-occupation charge or indeed to prevent evictions arising from arrears that stem from the under-occupancy charge.
- The COSLA/Scottish Government survey provides the most robust estimates of the impact of under-occupation on social tenants across Scotland but the count of under-occupiers is a dynamic figure, which will change over time.
- The available figures for total number in arrears associated with the 'bedroom tax' are worrying though we do not yet know their absolute values and this is presumably before the impact of Discretionary Housing Payments (DHP) is felt in specific council areas. DHP has grown massively in value and significance and its continuity is now a key issue in terms of managing tenant hardship in future years.
- It is inherently difficult to pin down the number of one bedroom properties that would be required to meet the 'demand' created by the 'bedroom tax'. This is in part because of the stock-flow problem (i.e. we need an annual flow for the

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<sup>1</sup> I acknowledge the help and support given to me by many people in conducting this work: Jim Hayton (ALACHO), Regina Serpa (SFHA), Duncan Gray, Andrew White and Martin McNicoll (Communities ASD), Kate Berry (SPICe), Kirstie Corbett and Ian Muirhead (Scottish Housing Regulator), Simon Watkins and colleagues supporting the Committee, and all of the senior housing officers who talked to me. All errors and opinions remain solely my responsibility.

turnover figure), but it is also because of the difficulty in identifying what proportion of vacancies are actually relevant or available for downsizers (the 'upper bound'). The Scottish Parliament Information Centre (SPICe) estimates, based on older data is the best available approach but one should not underestimate the conceptual and measurement problems associated with this measure.

- A significant proportion of one-bed lets are not available for down-sizing. In the housing association sector one third of all lettings are for homeless households. Given that a disproportionate number of homeless lettings are for single people and therefore one-bedroom properties, a reasonable guesstimate might be that half of all one-bedroom properties are not available.
- The range of estimates currently available for the speed that the backlog might be cleared for under-occupiers – 3 to 10 or more years – is a very wide spectrum. At this stage we should not have excessive confidence in any individual estimates until further robust work is undertaken with better data.
- Qualitative interviews with seven housing organisations found, first, that the reality of the under-occupancy charge on the ground is varied, challenging and changing. There are important differences between councils and housing associations, between towns and rural settings and between tight and looser labour markets. DHP and linked support from councils and the Scottish Government has been critically important in many places and its uncertain future underscores its importance to managing the under-occupation charge in future years. Single people and those with illness and disability are principally exposed.
- Second, those who are actively responding to the charge are doing so by paying it, by seeking DHP support, by trying to get off benefits and by terminating their tenancies and looking for housing solutions elsewhere. However, there is little demand to downsize, even if there is little actual one-bed property turning over in any of the organisations consulted. The *pull* factors that keep people in their homes and existing settled communities outweigh the *push* driver of the charge.
- Third, there is a universal recognition of further difficult challenges in the shape of ending direct payments, the end of local Housing Benefit services, the huge financial inclusion challenges ahead and the specific problems facing those of working age in social housing relying on Employment Support Allowance (ESA) and Disability Living Allowance (DLA).
- Practical ideas and points of further policy discussion that might be taken forward are:
  1. Recognise that different solutions follow from different housing, labour market and spatial settings (e.g. rural areas) as well as that different housing needs and preferences impact on the scope for downsizing.
  2. Securing the continuity of DHP at something approaching present levels of funding, especially for the next year, is critical.



3. That data collection of turnover by property size should be managed centrally and be a priority for collection and analysis by the Scottish Housing Regulator and the Scottish Government. Work should be done to examine matching these data.
4. The looming Universal Credit roll-out is a key change to the way landlords work. Losing local control of Housing Benefit and the introduction of direct payments are just two reasons why there will need to be investment in increasing money advice, budgeting and financial inclusion.
5. Arrears arising from the 'bedroom tax' need to be clearly understood (and their relationship with other rent arrears) but caution should be exercised and further consultation should take place before considering blanket forgiveness of such arrears.

## 1. INTRODUCTION

1. A charge on under-occupation by working age social tenants receiving Housing Benefit was introduced in April 2013. This is estimated by the Scottish Government at May 2013 to affect around 82,000 households in Scotland and cost them an average of £50 a month with 80% of those households including a disabled adult and 15,500 of the total cases consisting of families with children<sup>2</sup>.

2. Colloquially (and critically) referred to as the ‘bedroom tax’ and as a ‘spare room subsidy’ by the UK Government, the charge has been the focus of controversy since it was first mooted<sup>3</sup>. After being in place for more than 6 months and with mounting evidence emerging from different sources about the impact of the charge in Scotland and its wider consequences for those affected, this report takes stock of the evidence available and also draws on discussions with senior housing officers in a small range of representative social housing providers who can provide a first-hand account of the impacts to their tenants on the ground.

3. The remit of this research evolved in the course of the work. The research was commissioned to give a deeper understanding of scale and the depth of those affected (at Scottish and local authority level) by the under-occupation charge and the capacity of the system to meet down-sizing demand via one bed vacancies coming forward in a given year (a rough proxy for capacity). Preliminary investigation suggested that such data either does not exist or is not recorded in a way that readily matches the recent COSLA survey data which consists of all affected households by local authority area. Instead the research provides a number of partial estimates from various data sources as well as other forms of evidence in order to provide insights into these questions.

4. The revised set of project activities undertaken involved:

- A literature review on the effects of the charge and how landlords are responding (since that will directly impact on affected households).
- An effort to build on the COSLA survey as regards to the numbers affected.
- Examining Housing Benefit data and vacancy lets and relets from a range of sources e.g. Scottish Continuous Recording System (SCORE) housing association lettings, the Scottish Federation of Housing Associations (SFHA), Scottish Government Communities Analytical Services and SPICe but also the recent local authority work using for instance Fol request sourced data by the campaign group *False Economy*.
- A series of interviews with senior local authority and housing association staff examining the early impacts of the bedroom tax on households, the responses of those households and their assessment of how the situation is evolving.

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<sup>2</sup> Sunday Herald, 13 October 2013. p.9.

<sup>3</sup> While we primarily use the term under-occupancy charge, all three terms for the charge are used interchangeably for convenience.

5. The structure of this short report is in the following sections. In section 2, we briefly lay out the background context to the under-occupation charge. Section 3 is a brief synopsis of the main published and 'grey' literature on the effects of the new charge. Section 4 presents the quantitative evidence that has so far been assembled and summarises its main points (and the evidence we lack). Section 5 reports on the qualitative interviews with senior housing officers dealing with the bedroom tax in housing organisations across Scotland. Section 6 summarises and draws out key conclusions and recommendations.

## **2. UNDER-OCCUPANCY, HOUSING BENEFIT AND WELFARE REFORM**

6. The election of the UK Coalition Government in May 2010 heralded an extensive and long-lasting austerity programme to shrink the public deficit. It included a programme of welfare reform aimed at radically restructuring means-tested benefits to working age households and, in particular, to reversing the growth in the Housing Benefit subsidy provided to private and social tenants in the UK.

7. The under-occupation charge or ‘bedroom tax’ is a highly visible and politically contentious element of the reform to the Housing Benefit system for working age social tenants. It needs to be understood within this wider context of welfare benefit reforms and the process which is still underway to radically change the overall platform of working age benefits.

### **The Welfare Reform Programme**

8. The emergency June 2010 budget and the subsequent Spending Review in October 2010 paved the way for reforms to Housing Benefit, first in the private rented sector but also laid out a timeline for Housing Benefit reforms to working age social rented recipients, prior to the roll-out of Universal Credit planned to start in October 2013, aiming to combine and integrate the main working age means-tested benefits (including Housing Benefit). The twin aims of the policy were to create incentives to make work pay and reduce dependence on benefits but also to save billions of pounds to the Exchequer (£18 billion a year in total by 2014-15 – Gibb, et al, 2013).

9. Apart from Housing Benefit, the main elements of the key areas of reform (see Gibb, et al, 2013) included:

- Universal Credit, a monthly payment, which will in time replace Income Support, income-related Job Seekers Allowance (JSA), income based Employment and Support Allowance (ESA), Tax credits and Housing Benefit for working age households, phased-in over a period of years. Universal Credit will end the local role of local authorities administering Housing Benefit and also end, for most households, the possibility of Direct Payments to landlords (this has already happened in the private rented sector).
- The replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIP) and re-assessment procedures for both it and ESA aimed at reducing the caseload and saving a target of 20% savings.
- A Work Programme to take people off welfare and into work.
- Income-based restrictions to Child Benefit.
- Restrictions (i.e. delays) before Income Support claimants can receive help with their mortgage costs.

10. The key reforms to private renting Housing Benefit (i.e. the Local Housing Allowance or LHA) have now been fully introduced and mean:

- Shifting the basis for the LHA in each broad market rental area to the 30<sup>th</sup> percentile down from the median for each property size.
- Caps on LHA applying to specific room sizes: £250 for one bedroom, £290 for two bedrooms, £340 for three bedrooms and £400 for four plus bedrooms.
- The age threshold for the shared accommodation rate for LHA (the single room rent) raised from 25 to 35, extending the reach of the lower rate for single people considerably.
- The basis for uprating LHA changed to CPI from local rent increases, thought to put real downward pressure on the LHA over time<sup>4</sup>.

11. At the same time, all households in receipt of Housing Benefit or Local Housing Allowance (LHA) faced further reform:

- All Housing Benefit recipients faced substantial increases in Non Dependent Deductions, i.e. the assumed income coming into a household for adults – significantly reducing Housing Benefit eligibility (note that this will be softened under the simplified housing cost contributions planned for the Universal Credit).
- For all workless households, private and social sector recipients, phased introduction of a household Benefit Cap of £500 a week for couples, families and lone parents and £350 a week for single people. Exemptions to the cap apply for those in receipt of a War Widow, DLA or Working Tax Credit.

### **Under-Occupation**

12. Finally, as part of the social sector reforms to Housing Benefit, the UK Government decided to levy an under-occupation charge for working age social tenants. Introduced in Great Britain in April 2013, the HB regulations recognise a separate bedroom requirement for: each adult couple, any other adult aged 16 or over, any two children of the same sex aged under 16, any two children aged under 10, any other child (other than a child whose main home is elsewhere) and a carer who requires overnight accommodation in order to provide care. Households living in social renting with more generous bedroom provision are deemed to be under-occupying. Those under-occupying by one bedroom face a 14% reduction and those with two or more bedrooms extra face a 25% reduction in Housing Benefit eligibility – this applies to the entire eligible rent plus any eligible service charges, for tenants in receipt of full or partial Housing Benefit (Gibb, et al, 2013).

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<sup>4</sup> A cap of 1% has also been introduced on the annual uprating of benefits.

13. The under-occupation charge is highly controversial and is subject to a degree of longer term uncertainty. Apart from the Northern Irish Government thus far not implementing the reform, there continue to be legal challenges against the Housing Benefit reductions (e.g. recent Sheriff judgements in Dundee and Glasgow) as well as appeals relating to specific individual circumstances. Recently, the Labour Party has pledged to abolish it if it wins the next UK general election and the Scottish Government has also pledged to do the same if it wins the independence referendum. Moreover, Scottish politicians both in Parliament and locally are debating whether or not to fully fund the cost of the under-occupation charge or indeed to prevent evictions arising from arrears that stem from the under-occupancy charge.

14. McCafferty (2013) sets out clearly how the under-occupancy charge affects one group in particular, the sick and disabled. Across Great Britain, 2/3 of households affected by the charge (i.e. of the order of 420,000 people) contain sick and disabled tenants. Moreover, the only significant general exemption regarding disability/illness issues concerns overnight carers for tenant or spouse (but not for a child's needs). There is no automatic right to exemption if a disabled child (or even an adult) requires a separate bedroom.

### **3. PRIOR RESEARCH EVIDENCE**

15. In this section a very brief summary of the main findings arising from the policy, academic and 'grey' literature is presented, distinguishing between assessments carried out prior to the introduction of the under-occupation charge and those conducted in the period since April 2013. While mainly applying to Scotland, the review also takes into account relevant work carried out elsewhere in the UK.

#### **Evidence prior to April 2013 Introduction**

16. The Department for Work and Pensions (DWP) (2012) conducted an impact estimate of the under-occupancy charge and estimated that 31% of working age GB households would receive reduced HB because of under-occupancy at an average of £14 per week in 2013-14. Just over 80% of these affected (540,000 out of 660,000 cases) would be under-occupying one room.

17. Prior to the introduction of the under-occupation charge, research in England found that 19% of all working age housing association tenants would face the benefit reduction, 78% of them with one excess bedroom (Wilcox, 2011). A survey of tenants in three housing associations (Burkitt, 2012) found that 40% had been under-occupying since commencing their tenure but that only 7% wanted to downsize.

18. A February 2013 survey by Chartered Institute of Housing/Circle Housing asked how 75 landlords of all sizes were preparing for the under-occupancy charge. They found that most landlords were amending their allocations systems to encourage and incentivise downsizing to smaller properties, offering exchanges within the stock and mutual exchanges with other partner landlords - but they recognised that most landlords would only be able to rehouse a small proportion of those affected because of a lack of suitable stock. They also noted that under-occupation is much more prevalent among older tenants (i.e. over 61) who are not affected by the charge but are seeking to down-size and a further important challenge to helping working age households facing the charge.

19. The Northern Ireland Housing Executive estimated that in Northern Ireland in May 2012, 26,200 working age social tenants would be affected, 19,000 of them with an excess of one room. Gibb, et al (2013) estimated the number of working age social housing households in Northern Ireland affected by the under-occupation charge (note that the under-occupation charge has not yet been introduced in Northern Ireland) and found that fully 58% of working age tenants would under-occupy – 23,400 with one excess bed room and 10,700 more than bed room.

20. Initially, the Scottish Government's (2011) impact assessment of the welfare reforms, while recognising data problems, estimated that 110,000 households in Scotland would be eligible for the charge. This number subsequently fell to closer to 82,000 (see discussion below).

21. Scottish research found that housing associations and co-operatives would lose around £20 million in lost income on under-occupation charges from 2010-11 to 2016-17 (IS4, 2012) and 38,500 Registered Social Landlord tenants would be

under-occupying (similar to the one in three level found by Littlewood in her study (2011)). Littlewood also estimated the average cost to exposed tenants to be £11 a week.

22. Beatty and Forthergill (2013) estimated for 2014-15 that the overall annual costs of the under-occupation charge in Scotland would be of the order of £50 million affecting 80,000 households and found that the burden of the under-occupancy charge would be greatest in Scotland's cities and in general in the country's most deprived local authority areas.

### **Initial Estimates of Impact after April 2013**

23. Since the introduction of the under-occupation charge in April of this year, a number of studies have given an early sense of impacts. In England, the National Housing Federation (NHF) (2013) looked at the first 100 days of the charge in Merseyside. In addition, Scottish Federation for Housing Associations (SFHA) have undertaken surveys of their members and more recently, False Economy published its findings from an FoI request inquiry involving 114 local authorities in England, Wales and Scotland.

24. The NHF Merseyside study indicated that across 18 housing associations, and against a context of historically building larger family social renting homes, that more than 26,000 households would be affected by the under-occupancy charge (17,000 plus of which were under-occupying one bedroom). More generally, in the North West of England four times as many households were under-occupying as were overcrowded (110,000 to 25,000) and that if even a small proportion of people wanted to downsize this would rapidly expand an already long list for social homes in the region. Two-thirds of those affected in Merseyside (just over 19,000) have disabled or illness affected household members.

25. False Economy, an anti-austerity campaign group, undertook a FoI request of local authorities to gather data on the under-occupancy charge. In total 114 local authorities from England, Scotland and Wales returned data from the summer of 2013. The numbers focus on local authority housing tenants and suggest that as many as 50,000 tenants are in arrears as a result of the under-occupancy charge. We look at the Scottish part of this data in the next section of the report.

26. In Scotland, the principal evidence assembled since the launch of the under-occupancy charge came from a survey of Scottish local authorities by COSLA (which we look at in more detail in the next section) and a survey and follow-up survey by the Scottish Federation of Housing Associations. The COSLA/Scottish Government (2013) survey provides a snapshot of under-occupation across all social rented housing for 30 of 32 local authorities (98% of working age households receiving Housing Benefit in social rented housing). They found that 82,500 households as of May 2013 were estimated to be incurring the under-



occupation charge (68,500 were under-occupying one bedroom, 47,500 were council tenants and 35,000 were housing association tenants)<sup>5</sup>.

27. The SFHA early impacts study (June 2013) involved a sample survey of 63 member housing associations, incorporating 52% of all housing association stock in Scotland. Key findings were that 9% of tenants from responding organisations were under-occupying (7% one bed and 2% more than one bed). About a tenth of the stock is available to let each year. Just over a quarter of the respondents' stock was of one bedroom size and only an eighth (12%) of one bed properties became available through turnover each year. As a proportion of the total that is newly let, about 35% of turnover was of one bed size.

28. A follow up SFHA study, Serpa (2013), found that downsizing would be a slow and long term solution. She reports the above Scottish Government findings that, 60,000 households would need to move to a one bedroom property to avoid the charge. 'Yet, just 20,000 one bedroom homes for social rent became available each year.' (p.12). She goes on to point out that according to a recent Fol request, just 'one of the 18 local authorities in Scotland ...reported under-occupying households outnumbered available smaller council properties by more than ten to one'. Based on the situation at the beginning of August 2013, there is a considerable shortage of smaller council properties becoming vacant in the 18 councils represented by the Fol request. However, this is a measure at a point in time and it is difficult to assess what the annual flow of one bed properties would be relative to the stock of those under-occupying by one bed.

29. Within a survey of 13 housing associations, Serpa also found that between 1-16% only of under-occupying households would be able to downsize with in a four month period (Serpa, 2013, p.13) Serpa (2013) argues that smaller housing associations have been more successful at rehousing people into smaller homes but in general it will be difficult for Scottish housing associations to match the levels of turnover expected by the Chartered Institute of Housing prior to the introduction of the under occupancy charge (20% per annum) or by DWP (that 25% should be able to downsize).

## **Conclusions**

30. New evidence is emerging all the time via the Scottish Government and professional trade body impacts research but also through campaigns, academic research and Fol requests. There is a sense that these early findings, often snapshots at a point in time, are being collated while the new charge is bedding-in and important elements of the new system, such as the Discretionary Housing Payments help to affected tenants, are still not fully understood in terms of mitigating effects. Moreover, there is only a little evidence emerging about how social tenants are responding to both the charge and the efforts by social landlords to help them. We also do not yet know much about how the wider welfare benefit

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<sup>5</sup> The survey reports the narrowing down of the total Scottish population of those affected by the charge from 94,000 in 2011, rising to 105,000 in November 2012 before this widely used actual figure of 82,500. The reasons why this figure may have moved so much include both technical ones to do with reliance on sample surveys to fill in gaps in earlier estimates, those on partial HB for whom the penalty takes the completely off HB, as well as behavioural changes resulting from intervention by local authorities and housing associations to mitigate effects.

changes are affecting households and their housing choices, and how this interacts with the under-occupancy charge.

31. The report now moves on to consider the Scottish quantitative and qualitative evidence that is available.

#### **4. ASSESSING THE QUANTITATIVE EVIDENCE**

32. It may be help in the navigation of this section, which is necessarily complex, to set out the key points that emerge.

- The COSLA/Scottish Government survey provides the most robust estimates of the impact of under-occupation on social tenants across Scotland but the count of under-occupiers is a dynamic figure, which will change over time.
- The count of under-occupiers is a dynamic figure which will change over time – that said, the numbers found elsewhere from Fol requests and other sources (e.g. Serpa, 2013) seem broadly consistent.
- To the extent that the Fol request data from councils reported in Table 4.2 is accurate, the figures for total numbers of households in arrears are worrying though we do not know their absolute values and this is presumably before the impact of DHP is felt in specific council areas.
- DHP has grown massively in value and significance and its continuity is now a key issue in terms of managing tenant hardship in future years.
- It is inherently difficult to pin down the number of one bedroom properties that would be required to meet the ‘demand’ created by the ‘bedroom tax’. This is in part because of the stock-flow problem (i.e. we need an annual flow for the turnover figure), but it is also because of the difficulty in identifying what proportion of vacancies are actually relevant or available for downsizers (the ‘upper bound’). The SPICe estimates, based on older data is the best available approach but one should not underestimate the conceptual and measurement problems associated with this measure.
- The range of estimates currently available for the speed that the backlog might be cleared for under-occupiers – 3 to 10 or more years – is a wide spectrum that reflects the problems identified above. At this stage we should not have excessive confidence in any individual estimates until further robust work is undertaken.

#### **Background and Data**

33. While there is a lot of information in circulation about the incidence of the under-occupation charge in Scotland, comprehensive evidence that links incidence to household profiles of those affected, to the provision of smaller properties and their turnover, or data on arrears or other important dimensions do not presently exist in one place or in a way that can be satisfactorily matched together. Instead, we have to rely on a range of sources, which provide some but not all of the data and present different snapshots, in order to understand the problems faced, impacts and responses. In this section we look at these different key data sources and this is then complemented in the following section with qualitative findings from a range of housing organisations on the front line of managing the consequences of the under-occupancy charge.

34. Data will clearly improve as time goes on but for the moment the effort to understand the different processes underway is akin to the blind wise men trying to understand the true nature of an elephant from the parts they can touch directly. We have a range of partial sources about different elements of the nature and impacts of the under-occupation charge. Together, they hopefully provide a coherent sense of the whole but is necessarily provisional. Not surprisingly, a key conclusion of this paper is the need for better systematic approaches to capturing relevant data.

35. With these points in mind, below we consider the state of the quantitative evidence that can be amassed about both the scale of the charge in terms of people affected but also the potential readiness of the social housing system to meet the increased demand for smaller properties. In this section we look at evidence from the following sources:

- COSLA and Scottish Government survey of 30 out of 32 local authority areas covering all social renting tenants (Table 4.1).
- Fol request sample data of council housing collected by the campaign group 'False Economy' on under-occupancy and arrears (Table 4.2).
- Inside Housing compiled data on Scottish Discretionary Housing Payments by local authority (Table 4.3).
- Scottish Continuous Scoring System (SCORE) data on bedsit and one bed lettings in 2011-12 (Table 4.4).
- SPICe analysis that attempts to estimate the period required for smaller property vacancies to clear the backlog of under-occupiers (Table 4.5).

### **COSLA Scottish Government Analysis**

36. This key survey produced numbers of those affected for each local authority area (split by number of bedrooms under-occupying and by social provider type). These numbers are a snapshot recorded at or near the end of May 2013. Only two council areas (Shetland and South Ayrshire) did not return data<sup>6</sup>. The survey accounts for 98% of all working age social tenants in Scotland. This is the source of the official aggregate number of 82,500 for the total number of those affected in Scotland. More than a quarter of all cases are in Glasgow and Edinburgh alone and large volumes of cases also concentrated in North Lanarkshire, Dundee, Fife and South Lanarkshire. This data is also used in other tables that follow (Tables 4.4 and 4.5).

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<sup>6</sup> Note that figures for under-occupation for council tenants in these two councils can be found in the Fol request in Table 4.2 – 129 cases in Shetland and 1227 in South Ayrshire.

**Table 4.1 COSLA Scottish Government May 2013 Survey of Under-Occupation by Local Authority**

Council	Total under-occupying	Council housing total under-occ	Council housing one bed under-occ	RSL total under-occ	RSL one bed under-occ
Aberdeen City Council	2,092	1,857	1,566	235	204
Aberdeenshire Council	1,141	875	728	266	229
Angus Council	776	542	491	234	183
Argyll and Bute Council (1)	786	0	0	786	634
Clackmannanshire	910	716	581	194	194
Dumfries & Galloway (1)	1,561	0	0	1,561	1,302
Dundee City	4,529	3,368	2,789	1,161	903
East Ayrshire Council	3,251	2,496	2,112	755	549
East Dunbartonshire Council	619	396	303	223	187
East Lothian Council	1,042	879	765	163	144
East Renfrewshire Council	489	347	295	142	129
City of Edinburgh Council	6,232	3,742	3,242	2,490	2,110
Comhairle Nan Eilean Siar (1)	220	0	0	220	178
Falkirk Council	2,970	2,659	2,291	311	275
Fife Council	6,174	4,865	4,105	1,309	1,045
Glasgow City Council (1)	14,448	0	0	14,448	12,287
Highland Council	2,857	1,847	1,456	1,010	880
Inverclyde (1)	1,546	0	0	1,546	1,261
Midlothian Council	1,343	881	758	462	376
Moray	665	461	390	204	176
North Ayrshire Council	3,119	2,480	2,032	639	541
North Lanarkshire Council	6,819	5,709	4,703	1,110	857
Orkney Islands Council	100	50	37	50	45
Perth & Kinross Council	759	426	232	333	195
Renfrewshire Council	2,953	1,915	1,637	1,038	731
Scottish Borders Council (1)	1,075	0	0	1,075	902
Shetland	..	129	..	..	..
South Ayrshire	..	1,227	..	..	..
South Lanarkshire	4,802	3,903	3,320	899	742
Stirling Council	1,091	861	691	230	199
West Dunbartonshire Council	2,593	1,733	1,433	860	714
West Lothian Council	3,553	2,485	1,970	1,068	875

Notes:- .. indicates that the local authority did not respond to the survey. (1) These councils do not have council tenants having previously transferred their stock to housing associations. \*Figures obtained from False Economy Fol request data.

### Evidence on Incidence and Arrears

37. This was a Fol request completed by 114 GB councils. The data is available on a spreadsheet at the False Economy website ([falseeconomy.org.uk](http://falseeconomy.org.uk)). The Table below looks at the 21 Scottish councils who returned data on under-occupancy and attempts to separate out arrears associated with the charge as compared to all rent arrears built up by such households. It is this data for GB that led to the widely-quoted figure that 50,000 GB under-occupiers were in 'bedroom tax arrears'. COSLA recently completed a separate study of arrears (see Serpa, 2013)

that indicated that all but one council housing department in Scotland had seen an increase in arrears since April 2013.

38. There are important caveats about this FoI request data. First, the data is a snapshot and comes from a range of periods early on after the introduction of the under-occupancy charge. We do not have figures for absolute levels of arrears only whether affected people are in arrears of any level. Second, there are some missing figures for two of the councils.

39. Third, we must assume that each council is measuring arrears in exactly the same way and is able to disaggregate the 'pure' under occupation arrears from the total arrears these households have amassed. Here, this is done by taking only those under occupying households in rent arrears that have arisen since April 1 2013 and remain current (the 'pure' arrears); whereas total arrears refers to all under-occupying households in current rent arrears including arrears from before April 1 2013<sup>7</sup>. Fourth, arrears are dynamic and fluctuate over time and we are abstracting from that fact.

40. Fifth, while the numbers are generally similar between Tables 4.1 and 4.2 there are differences reflecting the dynamic churn of under-occupancy and because Table 4.2 does not include RSLs. Finally, it is not clear what role, if any, DHP play in mitigating these arrears. It is well known for instance that newer tenancies may have technical arrears incurred in the setting up of Housing Benefit which can take time to clear – again we assume that this is dealt with here.

41. The main findings from Table 4.2 are that:

- 'Pure' under-occupation arrears vary from 13% in Stirling to 67% in Clackmannanshire but 6 councils have 30-39% of under-occupying households in 'pure' under-occupation arrears and a further 7 have a figure lying between 40-49% in 'pure' arrears.
- For those households facing the under-occupation charge in rental arrears from both 'pure' under-occupation and other pre-existing reasons, the proportion in arrears is much higher. It is fully 97% in Clackmannanshire and 83% in Dundee and 7 councils have 70-79% of these under occupying households in arrears more broadly measured and only two have less than half of their under-occupying households in rent arrears. In many respects, these latter figures are the more reliable data and suggest serious problems and the importance of DHP to mitigation.

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<sup>7</sup> This makes the assumption that rent arrears arising since April 1 are due to under-occupation only or at all.

**Table 4.2 Under-Occupancy and Arrears, Selected Scottish Local Authority Council Housing (captured various dates: May-July 2013)**

<b>Council</b>	<b>Affected by under-occupancy</b>	<b>'Pure' under occupancy charge arrears</b>	<b>'Pure' as % of total affected</b>	<b>All arrears of those affected (indicative)</b>	<b>% all arrears as share of all affected</b>
Aberdeen	1,803	524	29%	1,179	65%
Aberdeenshire	866	305	35%	604	70%
Clackmannanshire	720	480	67%	700	97%
Dundee	2,118	1,028	49%	1,755	83%
East Ayrshire	2,421	1,069	44%	1,577	65%
East Dunbartonshire	398			312	78%
East Renfrewshire	337	140	42%	239	71%
Edinburgh	3,566	1,592	45%	2,561	72%
Falkirk	2,638	844	32%	1,803	68%
Fife	6,261	1,576	25%	3,611	58%
Highland	1,847			641	35%
Moray	453	136	30%	255	56%
North Ayrshire	2,421	869	36%	1,648	68%
North Lanarkshire	5,503	2,515	46%	3,989	72%
Perth & Kinross	383	109	28%	233	61%
Renfrewshire	1,825	859	47%	1,329	73%
Shetland	129	41	32%	80	62%
South Ayrshire	1,227	440	36%	771	63%
South Lanarkshire	4,034	1,809	45%	2,936	73%
Stirling	1,121	146	13%	593	53%
West Dunbartonshire	1,733	423	24%	847	49%

Source: falseeconomy.org.uk

Note: includes technical arrears and columns referring to all arrears includes arrears liable prior to April 2013 where applicable.

### **Discretionary Housing Payments (DHP)**

42. Discretionary Housing Payments have been available from DWP since the early part of the last decade to allow councils to help meet housing hardship problems. Increasingly, in the last year or so they have become an important way of sustaining the introduction of housing related welfare benefit reforms, first in the private rented sector and now in social housing tenures (and, largely in and around London, to deal with the impacts of the household benefit cap). An important first point to recognise therefore is that DHP money to councils is not just for mitigating under-occupation.

43. DHP has been allocated in an iterative way leading to far more funds than initially expected. Both the DWP and the Scottish Government have added resources significantly. The Scottish share of the DWP budget in 2013-14 was

initially £10 million but has since been increased as a result of new monies for rural funding and scope for more to come through further bidding processes (Shelter 2013). In addition to this a principle of the DHP system is that local authorities can 'top-up' the funds by a multiple of 1.5 of their DWP allocation. Essentially, the Scottish Government's recent announcement of £20 million for 2013-14 performs this function to allow Scotland to have the maximum amount for DHP mitigation.

**Table 4.3 Discretionary Housing Payments 2013-14 (£)**

<b>Council</b>	<b>DWP</b>	<b>Scottish Govt (1)</b>	<b>Total</b>
Aberdeen	299,125	444,174	743,299
Aberdeenshire	594,825	883,262	1,478,087
Angus	413,506	614,019	1,027,525
Argyll & Bute	370,656	550,390	921,046
Clackmannanshire	178,323	264,794	443,117
Dumfries & Galloway	658,354	977,596	1,635,950
Dundee	337,506	501,166	838,672
East Ayrshire	171,570	254,766	426,336
East Dunbartonshire	107,919	160,250	268,169
East Lothian	137,196	203,724	340,920
East Renfrewshire	83,222	123,577	206,799
Edinburgh	1,430,709	2,124,473	3,555,182
Comhairle nan Eilean Siar	107,388	159,461	266,849
Falkirk	179,720	266,868	446,588
Fife	539,010	800,381	1,339,391
Glasgow	2,392,818	3,553,117	5,945,935
Highland	987,115	1,465,777	2,452,892
Inverclyde	153,174	227,449	380,617
Midlothian	159,483	236,818	396,301
Moray	252,230	374,539	626,769
North Ayrshire	309,823	460,059	769,882
North Lanarkshire	469,660	697,402	1,167,062
Orkney	64,359	95,568	159,927
Perth & Kinross	523,618	777,525	301,143
Renfrewshire	267,351	396,992	664,343
Scottish Borders	450,553	669,031	1,119,584
Shetland	72,457	107,593	180,050
South Ayrshire	262,150	389,269	651,419
South Lanarkshire	492,570	731,422	1,223,992
Stirling	400,324	594,445	994,769
West Dunbartonshire	347,472	515,964	863,436
West Lothian	254,648	378,129	632,777
<b>Total</b>	<b>13,468,834</b>	<b>20,000,000</b>	<b>33,468,834</b>

Source: Inside Housing 3 October 2013 '£20m fund to help bedroom tax victims allocated'

(1) £20m extra funding announced in 2014-15 Draft Budget



44. Each local authority's allocation is determined by a DWP needs-based formula. However, once the money is allocated to each council it is for them individually to administer, prioritise and pay out their funds. This is why it is so important for individual tenants facing the under-occupation charge that they fill in their local application forms for DHP as quickly as they can for processing.

45. A key issue for the continued management of arrears and the under-occupancy question will be the continuity of this funding, which is expected to decrease next year (i.e. the DWP funding) and its future beyond 2014-15 is much less certain.

46. Table 4.3 indicates that DHP has become a much more important part of the system than hitherto expected and while the resources are obviously welcome, they add further administrative cost and personal uncertainty to many vulnerable low-income households across Scotland.

### **Downsizing**

47. A key purpose of this research was to try to make empirical sense of the capacity of social landlords to use their vacant stock of one-bedroom properties to accommodate households facing the under-occupancy charge such that they could downsize. It is clearly important to know the extent to which the housing system can generate vacancies of smaller dwellings that can be used to take people out of the problem and thereby generate other larger properties to let for larger households. It turns out, however, that is a difficult thing to measure or indeed capture comprehensively.

48. Conceptually, we wish to compare the number of households requiring to downsize to one bed properties<sup>8</sup> (the key size category) because of the under-occupancy charge (which is captured at local authority level in Table 4.1) with an equivalent number of one bed room vacancies that are potentially accessible for such households. There are a number of complications:

- We tend to access vacancies data over a whole year period whereas we see snapshot pictures of under-occupancy at a point in time (the evidence also suggests that the numbers exposed to the charge are dynamic and vary over the year).
- Vacancy data is not quite the same as the under-occupancy charge number as Registered Social Landlords will have nomination agreements with councils to ensure that homeless routes can be used so a significant proportion, sometime 50% or more of vacancies, can be given over to councils to house those in greatest need. Moreover, landlords will have other priorities for these one bed properties that relate to medical needs, some may require medical adaptations which make the properties unsuitable, as may other factors such as location or distance from family

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<sup>8</sup> Initial research and practitioner advice is that most one bed under occupation cases require a one bed room property to downsize to – i.e. they are presently in a two bed property. It is also commonly argued that over time shifting those households will free up sufficient two bed properties for most of those under-occupying by two beds. These are generalisations that will not always hold in specific circumstances but appear to be reasonable working assumptions.

and support networks – reducing demand to downsize. These factors will vary by landlord and by area.

- In any case, there is evidence that indicates the potential vacancy rate would only be the upper bound of possible reductions in the under-occupancy charge because many households, for a wide range of reasons, would not consider moving and would rather pay the under-occupancy charge.

49. Consequently, and in the absence of the sufficiently fine grain data required we can only crudely proxy the degree to which one-bed vacancies might clear under-occupation for working age tenants. Below we look at two attempts to do this exercise. First, using Scottish Continuous Scoring System (SCORE) general needs lettings in the housing association sector. Second, we follow through the logic of a constructed measure from researchers at SPICe drawing on earlier analysis by Communities Analytical Services at the Scottish Government.

#### 1. SCORE data<sup>9</sup>

50. SCORE continuously records new lettings in the housing association sector (individual records are returned by housing associations). The most recent data by local authority district reported by the Scottish Government is for 2011-12. Total lettings captured by SCORE comprised of 25,767 lettings compared with the Scottish Housing Regulator's figure for all housing association lettings at 28,786 for the same year. This implies that SCORE has a sample size of 89.5%. Less than 500 of these lettings data could not be matched to a local authority – the rest (more than 25,300) are used in the following analysis. The Table contrasts one-bed lettings with the COSLA numbers for one-bed RSL under-occupiers (it also includes data on bedsit lets for comparison).

51. Note that the SCORE data includes allocations for homelessness, medical priorities and other reasons for using one bed vacancies – so not all could be used for downsizing to alleviate the under-occupancy charge. According to the SCORE 2011-12 data, approximately a third of HA lettings were for homeless households. Moreover, only 2 in 3 lettings were to direct applicants or internal transfers – i.e. almost all of the rest were nominations of one kind or another.

52. The data is for lettings not stock and only for a period two years prior to the introduction of the under-occupancy charge. The comparison that is made therefore is between actual lettings in 2011-12 for one-bed properties and actual one bed under-occupation as measured by COSLA's survey for housing associations only at the end of May 2013. The main messages in Table 4.4 are:

- There were 9,645 one-bed room lettings in 2011-12 in contrast to 29,047 one bed under-occupiers from the 30 councils areas recorded in the COSLA survey. As an upper bound this implies more than three years to address the down-sizing backlog – if these are typical years in both cases.

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<sup>9</sup> I am grateful to colleagues in the Scottish Government Communities Analytical Services Housing Statistics – Duncan Gray, Martin McNicoll and Andrew White – who provided this data.

- However, the number of one-bed lets needs to be reduced according to the volume of those vacancies that were given over to homelessness and other nominations, as well as other priority allocations and a small number of specialist housing lettings within the data from within the stock. It is generally recognised that a disproportionate number of homeless lettings are for single people so the proportion is likely to be greater than one third (the overall proportion for all lettings). Half of the recorded lettings might be a reasonable guesstimate i.e. 3,300 to 5,000 lettings might be genuinely available for the general needs population to potentially downsize. This implies a period of approximately 6-9 years to clear the downsizing backlog as a result of the under occupancy charge. But to be clear this would only be an upper bound with considerable margin of error.

**Table 4.4 Housing Association Lettings bedsit/one bed/all lettings 2011-12 by Local Authority**

Local Authority	Bedsit Properties	One Bedroom Properties	All Properties	COSLA 2013 survey RSL one bed under-occupiers
Aberdeen City	33	254	539	204
Aberdeenshire	4	242	438	229
Angus	16	162	348	183
Argyll & Bute	58	340	835	634
Clackmannanshire	8	71	180	194
Dumfries & Galloway	324	473	1,182	1,302
Dundee City	73	351	793	903
East Ayrshire	13	102	411	549
East Dunbartonshire	10	32	144	187
East Lothian	3	112	241	144
East Renfrewshire	10	70	212	129
Edinburgh, City of	231	823	1,625	2,110
Eilean Siar	8	101	247	178
Falkirk	50	167	473	275
Fife	39	255	876	1,045
Glasgow City	534	2,939	8,447	12,287
Highland	35	210	746	880
Inverclyde	16	122	393	1,261
Midlothian	7	72	222	376
Moray	6	186	405	176
North Ayrshire	13	143	370	541
North Lanarkshire	24	264	740	857
Orkney	2	59	148	45
Perth & Kinross	7	181	430	195
Renfrewshire	26	387	848	731
Scottish Borders, The	70	574	1,361	902
Shetland	1	40	105	
South Ayrshire	10	96	322	
South Lanarkshire	23	165	628	742
Stirling	10	74	204	199
West Dunbartonshire	6	222	607	714
West Lothian	42	258	803	875
Unknown	16	98	444	
All	1,728	9,645	25,767	29,047

Source: SCORE

## 2. SPICe Analysis of one bed turnover and time to clear under-occupancy backlog

53. As part of this study, colleagues at SPICe conducted a broad analysis of turnover of one bed properties to get a sense of how long it would take to clear the backlog of under-occupiers. Once again, they used the COSLA/Scottish Government survey as the measure of under-occupation but in this case went further back in time to construct the estimated number of one-bed properties available.

**Table 4.5 Clearing the Backlog of Under-occupants**

Local Authority	No. of h/hs affected by 1 bed penalty	Est. no of 1 bed lets available, 09/10	Est. no of years to rehouse those affected
Aberdeen City	1,770	1016	1.74
Aberdeenshire	957	972	0.98
Angus	674	556	1.21
Argyll & Bute	634	328	1.93
Clackmannanshire	775	364	2.13
Dumfries & Galloway	1,302	718	1.81
Dundee City	3,692	1149	3.21
East Ayrshire	2,661	473	5.63
East Dunbartonshire	490	166	2.95
East Lothian	909	289	3.15
East Renfrewshire	424	152	2.79
Edinburgh, City of	5,352	1741	3.07
Eilean Siar	178	134	1.33
Falkirk	2,566	491	5.23
Fife	5,150	1306	3.94
Glasgow City	12,287	3935	3.12
Highland	2,336	481	4.86
Inverclyde	1,261	330	3.82
Midlothian	1,134	267	4.25
Moray	566	270	2.10
North Ayrshire	2,573	628	4.10
North Lanarkshire	5,560	1055	5.27
Orkney	82	149	0.55
Perth & Kinross	427	539	0.79
Renfrewshire	2,368	724	3.27
Scottish Borders, The	902	524	1.72
Shetland		200	0.00
South Ayrshire		494	0.00
South Lanarkshire	4,062	918	4.42
Stirling	890	231	3.85
West Dunbartonshire	2,147	550	3.90
West Lothian	2,845	505	5.63
<b>Total</b>	<b>66,974</b>	<b>21,655</b>	<b>3.09</b>

Sources: No. of households affected: SG/COSLA survey (2013) and estimated lets derived from Scottish Government 2011 analysis of under-occupation.  
Estimated number of lets: SG [analysis](#) (2011)

54. The estimated number of one bed properties for each local authority area is derived from calculations done by the Scottish Government in 2011 to calculate turnover for social housing stock and combines data collected separately for homelessness work by the Government. The analysis calculated turnover by property size (i.e. social lettings) for each local authority area in 2009-10 and combines data on the distribution of the housing stock by size with assumed relative turnover rates by property size derived from the Scottish Household Survey. This analysis produced an estimated national number of one-bed lets of 21,657 for the 2011.

55. Despite the vintage of the constructed data, it does look, comparing Table 4.5 with 4.4, that there is a plausibility about these figures (they include local authority housing as well as the housing association data in the SCORE numbers). The overall average backlog is 3.09 years and ranges from just under a year in Aberdeenshire and Perth & Kinross to over 5 years in West Lothian, North Lanarkshire and East Ayrshire.

56. This measure appears to be the most convincing broad rough estimate of turnover. The backlog figures look low compared for instance with the earlier reported CIH and DWP assumptions of 4 to 5 years but remember that these numbers are upper bounded numbers and should be revised in the light of fine grain information regarding the proportion of properties that will not be let to downsizers but have other priorities, let alone the demand-side point that many under-occupiers will not wish to move for different reasons and that disutility of moving will outweigh the financial penalty of the under-occupation charge.

### **Pulling it All Together**

57. The data examined in this part of the report has reflected expediency rather than best practice. Such is the political salience of the 'bed room tax', that there is great demand for quick data – even though we are only a few months into the charge's life. This means that we inevitably confront different modes of data capture which have in turn their own meaning and interpretation. We have to be very careful in how we analyse such data and be careful about the conclusions we reach.

58. The key points that come out of this section are:

- The COSLA/Scottish Government survey provides the most robust estimates of the impact of under-occupation on social tenants across Scotland.
- The count of under-occupiers is a dynamic figure which will change over time – that said, the numbers found elsewhere from FoI requests and other sources (e.g. Serpa, 2013) seem broadly consistent.
- To the extent that the FoI request data from councils reported in Table 4.2 is accurate, the figures for total numbers of households in arrears are worrying though we do not know their absolute values and this is presumably before the impact of DHP is felt in specific council areas.

- DHP has grown massively in value and significance and its continuity is now a key issue in terms of managing tenant hardship in future years.
- It is inherently difficult to pin down the optimal one bed turnover figure relevant to downsizing among under-occupiers. This is in part because of the stock-flow problem (i.e. we need an annual flow for the turnover figure), it is also because of the difficulty in identifying what proportion of vacancies are actually relevant or available for downsizers (the upper bound. The SPICe estimates, based on older data is the best available approach but one should not underestimate the conceptual and measurement problems associated with this measure.
- The range of estimates currently available for the speed that the backlog might be cleared for under-occupiers – 3 to 10 or more years - is a wide spectrum that reflects the problems identified above. At this stage we should not have excessive confidence in any individual estimates until further robust work is undertaken.

59. At one level the available data is disappointing in that it cannot answer our fundamental questions without either considerable additional data collection work either by researchers or through bodies like the Scottish Housing Regulator (SHR) and the Scottish Government. Councils should be able to provide the number of one-bed properties they have and this is collected by the SHR for housing associations through the Annual Performance and Statistical Review but is not collated and published. Apart from this stock data which does seem to be within our grasp without huge additional effort, collecting the required data on turnover by property size could build on SCORE data by replicating it by property size for council housing. Matching the lettings data to the housing stock and under-occupancy data would be even better. We return to data questions in the recommendations.

## **5. THE EFFECTS ‘ON THE GROUND’: EVIDENCE FROM HOUSING PROVIDERS<sup>10</sup>**

60. To complement the quantitative evidence and to develop a more considered sense of the impacts on affected households, a small panel of seven diverse housing organisations representing both councils and housing associations was assembled. Those consulted were senior housing officers in providers covering rural, urban, community-specific, town-level, city and national housing providers. Each representative was asked, from their unique perspective and local context, about the impacts of the under-occupation charge on their tenants, how affected households are responding, what scope there is to down-size within their housing stock, about strategies to respond to growing arrears and whether their own housing business plans were affected and how? The officers were also asked to comment on longer term effects, challenges and wider perceived risks associated with welfare reform.

### **Numbers affected and their profile**

61. The numbers and proportions affected across the seven organisations varied considerably. There were between 700 and 1700 live cases in each of the three local authority housing departments and between 50 and 300 plus in the (admittedly smaller) housing associations consulted. However, this was more than 10% of total households (working age and older tenants) in four of the seven (and all of the council landlords) and more than 5% in the other three cases.

62. A second point that was made repeatedly was that the live picture masks considerable dynamic or churn in the numbers. This reflects the natural turnover and changing composition of the households, let properties and their changing circumstances. One council reported a greater than 15% fall in live cases since April (and this will include pro-active measures to mitigate the charge such as those people able to downsize or terminate their tenancies and find other living arrangements, as well as people moving off benefits into work).

63. Landlords also reported distinctive profiles of the types of households more likely to be affected by the charge and this varied by local circumstances, the long-term composition of households within a landlord’s housing stock, and the local economic backdrop. In particular, the housing officers noted:

- Larger proportions of benefit-dependent single people, often both male and younger age – particularly in the council housing cases. There are also examples of couples facing the charge, in part because of historic allocation decisions to give singles and couples two bed properties.
- Evidence from one council of a disproportionate level of older households (over 50) affected by the under-occupation charge.
- An urban housing association stressed the importance of those affected also receiving Disability Living Allowance or Employment Support Allowance. A rural association also noted the high proportion of those affected living in wheelchair accessible properties.

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<sup>10</sup> I am very grateful to the eight people from seven organisations who made time to talk to me.

**How are those affected responding?**

64. The housing officers discussed how, on the ground, affected tenants are responding to the challenge of the under-occupation charge. In a context where social landlords have been highly pro-active in seeking to use the Discretionary Housing Payments locally to offset the costs by encouraging tenants affected to apply for DHP, the main options are to first, find a way to 'make do', using other income sources; second, to run up arrears; third, to actively seek to downsize to smaller properties; and, fourth, to terminate the tenancy and seek housing elsewhere, often in the private rented sector or care of family or friends.

65. Landlords reported that tenants who could were meeting the cost of the charge so that they could retain the extra room because they wanted to use it for when children were staying in the case of one-parent families or where a separate bedroom was deemed necessary because of ill-health or disability. There was also a sense that different circumstances and the benefits that corresponded offer better or worse opportunities to be able to afford the charge. For instance, households receiving multiple benefits because of illness or disability or where at least someone was in work were much better placed to fund the deficit than would be the case with young single people reliant on just £71 per week JSA facing other high fuel and power bills.

66. Landlords commented on the scope for tenants to go round the problem by securing work and the different labour market circumstances prevailing in parts of Scotland. Several rural and Northern-based landlords pointed to low unemployment but an important seasonal component in jobs now winding up for the winter. Council landlords pointed to wider effort to invest in preventative spending in employability and job training in part to help address these benefit/poverty dilemmas. There was limited evidence of tenants coming off benefit so there may be sporadic examples where the new incentives have led people to seek work but this is clearly contingent on there being labour demand.

67. The housing officers reported some evidence of tenants terminating their tenancies and moving out of the landlord's housing altogether. While there was no way to confirm the numbers involved, there was a sense that tenants were moving into the private rented sector with its own associated benefit reductions in local housing allowance. For those remaining the efforts to encourage those affected to sign up for DHP has been extensive and undoubtedly important in addressing how to cope with the charge. Landlords reported large numbers doing just this and many of them securing help in this way or with their applications pending. Another strategy identified by a local housing association was to support specific appeals against the charge.

**Downsize?**

68. A particular focus of the research concerned the scope and extent of downsizing within the landlord's stock as a response to the under-occupation charge. Two strong findings emerged from this discussion. First, that there is indeed little scope to use what is a small flow of one bedroom turnover. Second, that there is considerable tenant resistance to moving.



69. Landlords reported very little capacity to use one-bed properties to help alleviate the charge through downsizing. Rural housing officers pointed to the absolute dearth of smaller units reflecting long-term development of large properties. Other landlords stated that they were purchasing one-bed properties off the shelf.

70. Some of the respondents use choice based lettings systems which do not require a waiting list and hence a sense of demand in the traditional sense. At the same time there are other legitimate claims on one-bed vacancies primarily in the form of homeless applications. The housing associations responded that they have established nominations agreements with councils and the latter also have a major challenge to house both homeless applicants and seek properties for those wishing to transfer to smaller units. One council landlord said it would take at least 4-5 years to clear the backlog of downsizers if they used all of their one bed vacancies but given the other demands on the stock, a much longer period of 19 years given their competing allocation priorities.

71. One reason for this discrepancy in years is because of the low demand or willingness to move to a smaller property. There were several reasons identified for this by housing officers:

- Current properties are adapted and suitable for specific housing needs related to disability or illness.
- Existing properties are well-suited for one parent families so that visiting children can stay overnight.
- Households are in established communities with strong ties, family, friends and social capital built up. They do not want to be unsettled and forced to move in some cases considerable distances (e.g. as is often the case in the rural case).
- Many households do not want to reverse their housing journey which has seen them improve housing quality and aspirations over time – for instance, concerns were expressed that the only properties available would be one bed flats currently primarily occupied by young single people and not so suitable for older couples.

72. One housing officer made it clear that in principle housing professionals do want to improve the effective use of the housing stock and to match supply and demand better but the established housing stock of social housing providers, the effects of long term allocations policies and other commitments such as to tackle homelessness, as well as the tenant's own strong held settled preferences – leads one to conclude that downsizing is not a viable solution for most people affected. One landlord surveyed 1700 of their tenants potentially affected by the charge and found that only 1 in 17 would consider moving to a smaller property.

### **The level and management of arrears**

73. A pivotal issue is the growth of rent arrears associated with tenants not paying the under-occupation charge. This can of course lead to serious difficulties for the households in questions, it also raises issues of proactively and reactively managing arrears by landlords but also strays into the politics of evictions and related longer term considerations.

74. The seven organizations consulted experienced very different levels of arrears and also faced a moving or dynamic profile of these arrears. While some faced high proportions of those affected by arrears they were through DHP working their way through cases and reducing the implications of those arrears. One council initially had more than two-thirds of those affected in arrears but had already approved DHP for half of those in arrears and were working proactively to help as many of those remaining as they could. Another council was confident, even though arrears was up 25% on the same time last year, that eventually DHP would be available to meet most if not all of their arrears.

75. Officers consulted raised a number of practical problems about under-occupation and arrears. First, it was not always possible to identify accurately arrears from the 'bedroom tax' as opposed to other pre-existing or otherwise new arrears. In smaller organisations this can be possible; others used formulae to construct the separate figure but others found this intrinsically difficult to do, for instance, because the IT system would not support it. Many expect the identification problem to worsen over time. This is important because of the question of whether or not to evict over 'bed room tax arrears', local policies over this question and the evidence e.g. in Glasgow that Sheriffs are seeking to have arrears split between those related to the charge and otherwise.

76. A recurring theme, discussed more below, is the concern that the roll-out of Universal Credit, in this case the end of direct payments for most benefit recipients, will worsen arrears. There was also a concern expressed that contemplating decisions now to rule out eviction based solely on arrears related to under-occupation may compound the arrears management problems that landlords expect to face when the Universal Credit changes come into force.

### **Impacts on housing businesses and communities**

77. The under-occupation charge represents a challenge to the plans of landlords in housing investment, maintenance and development terms but also in relation to their place in wider community and local strategies for the future. Costs faced by landlords have been increased to manage different aspects of the under-occupation charge (e.g. additional staff and specialists to help people with financial inclusion issues). This may in some cases push rents up or require services to be reduced elsewhere. At the same time higher arrears than planned impact on capacity to generate private finance on acceptable terms. Landlords also considered that many of these issues will be compounded and even exacerbated by the next rounds of welfare reform.

78. The immediate business impacts relate to higher costs associated with extra staff required to help clients fill in DHP applications, give money advice and support budgeting skills (several landlords identified the lack of budgeting skills self-reported by tenants). There are also the transactions costs associated with

setting up new rent collection methods to cope with the changing rules of the game. While these factors do not impact immediately on tenants and those affected by the charge – they do raise costs that either put pressure on rents or reduce the scope to provide the same level of service.

79. All the housing officers to a greater or lesser extent expect the emerging higher level of arrears, and particularly if DHP cannot be sustained for more than a year or so into the future, to impact negatively on longer term business plans to develop new homes, to invest in the existing housing stock and to secure long term maintenance plans. All rely heavily on Housing Benefit to make a significant contribution to their rental income. Evidently, while some councils are better placed to defend their programmes, it was widely recognised that this is a particular problem for housing associations who rely on private finance. The terms and conditions associated with financing housing investment will be affected by higher-level provision for bad debts. A recurring refrain was that these sorts of issues will worsen under the Universal Credit and associated welfare reforms.

80. Finally, landlords reported wider concerns that the under-occupation charge threatened wider community strategies in terms of supporting settled communities, defending fragile rural and island communities by speeding up the break-up of established neighbourhoods or settlements in order to escape the charge.

#### **Wider challenges of welfare reform**

81. Finally, landlords were asked to convey what they considered to be the wider challenges facing them concerning welfare reform. It is clear that while they have been forced to manage and resolve as best they can the challenges of under-occupation, this has been made more achievable, in the short term at least, by proactive work and by DHP. This is less clearly possible in the longer term even though landlords now have a much greater sense of what needs to be done to respond to accommodate welfare benefit reform. They identify several serious challenges ahead.

82. A number of other changes to welfare benefits have occurred or are planned. Others like excluding the under 25s from Housing Benefit are likely to be in the Conservative party manifesto. The housing officers raised concerns about the household benefit cap, the ability to deliver temporary accommodation solutions, the single room rent for under 35s, the roll-out of Universal Credit, the scale of problems associated with a cluster of issues to do with financial inclusion and illness and disability benefits relating to ESA and the introduction of PIP:

- The household benefit cap only affects a small number of households insofar as the seven organisations here are representative but their impact on households who are affected is profound.
- Two of the councils also raised their worry about the cost of temporary accommodation in both the council sector (affected by the under occupation charge) and in the private rented sector (expected to be affected by ceilings implied by the universal credit model) which would need to be borne by the council since it could not be paid for by the homeless client.

- A major concern expressed by many landlords was the key principle that Universal Credit be paid monthly to the client and thus end direct payments to the landlord other than for the vulnerable and those in significant arrears. This is the touchstone issue in many respects: as it brings home the need for major financial inclusion, money advice and budgeting/banking skills training and it also makes assumptions about the digital divide (a major issue in rural areas). The housing association that surveyed 1700 of its tenants found that less than 1000 have internet access and less can use it, while 1100 were struggling financially.
- The roll-out of Universal Credit will end the local basis of the Housing Benefit service which will significantly reduce the financial information and control over payments that landlords currently enjoy. This will mean developing a new relationship with tenants in order to request financial information. This will greatly increase the need for financial inclusion support and resources to provide that support.
- Finally, a recurring theme in these discussions has been the interaction of benefits for those on low income. As we have seen many of those most affected by the under-occupancy charge have health issues and also rely on ESA and DLA. Several of the landlords raised concerns about the impact of the individual reassessment for eligibility of the new PIP model, the objectives of taking 0.5 million people off PIP and making substantial savings, while at the same time there is a long-running process of ESA reassessment dropping people down to JSA levels before appeals which often take 9 months before, if successful, ESA is reinstated. These changes threaten significant income sources for already highly disadvantaged people. The housing officers identified the compounding of these changes in terms of the stress and pressures this puts on their clients and communities.

## Conclusions

83. The views of officers from a range of social housing providers indicate that the reality of the under-occupancy charge on the ground is varied, challenging and changing. There are important differences between councils and housing associations, between towns and rural settings and between tight and looser labour markets. The incidence of the charge varies across providers as does arrears. DHP and linked support from councils and the Scottish Government has been critically important in many places and its uncertain future underscores its importance to managing the under-occupation charge in future years. Different kinds of client seem to be disproportionately affected in the range of settings the landlords work in. It does seem however that single people and those with illness and disability are those principally exposed.

84. Those who are actively responding to the charge are doing so by paying it, by seeking DHP support, by trying to get off benefits and by terminating their tenancies and looking for housing solutions elsewhere. However, there is little demand to downsize, even if there is little actual one-bed property turning over in any of the organisations consulted. The *pull* factors that keep people in their homes and existing settled communities outweigh the *push* driver of the charge.

85. The other striking point from these discussions concerns the universal recognition of further difficult challenges in the shape of ending direct payments to landlords, the end of local Housing Benefit services, the huge financial inclusion challenges ahead and the specific problems facing those of working age in social housing relying on ESA and DLA. It is ironic that much of the important professional learning delivered as a result of implementing and dealing with the consequences of the under-occupancy charge locally – will in part be lost by the very nature of succeeding welfare benefit reforms.

## 6. CONCLUSIONS AND RECOMMENDATIONS

### Quantitative Analysis

86. It is inherently difficult to pin down the number of one bedroom properties that would be required to meet the 'demand' created by the 'bedroom tax'. This is in part because of the stock-flow problem (i.e. we need an annual flow for the turnover figure), but it is also because of the difficulty in identifying what proportion of vacancies are actually relevant or available for downsizers (the 'upper bound'). The SPICe estimates, based on older data is the best available approach but one should not underestimate the conceptual and measurement problems associated with this measure.

87. The range of estimates currently available for the speed that the backlog might be cleared for under-occupiers – 3 to 10 or more years is a very wide spectrum. At this stage we should not have excessive confidence in any individual estimates until further robust work is undertaken with better data.

### Qualitative Analysis

88. The qualitative interviews with seven housing organisations found, first, that the views of officers from a range of social housing providers indicate that the reality of the under-occupancy charge on the ground is varied, challenging and changing. There are important differences between councils and housing associations, between towns and rural settings and between tight and looser labour markets. The incidence of the charge varies across providers as does arrears. DHP and linked support from councils and the Scottish Government has been critically important in many places and its uncertain future underscores its importance to managing the under-occupation charge in future years. Different kinds of client seem to be disproportionately affected in the range of settings the landlords work in. It does seem however that single people and those with illness and disability are those principally exposed.

89. Second, those who are actively responding to the charge are doing so by paying it, by seeking DHP support, by trying to get off benefits and by terminating their tenancies and looking for housing solutions elsewhere. However, there is little demand to downsize, even if there is little actual one-bed property turning over in any of the organisations consulted. The *pull* factors that keep people in their homes and existing settled communities outweigh the *push* driver of the charge.

90. Third, the other striking point from these discussions concerns the universal recognition of further difficult challenges in the shape of ending direct payments, the end of local Housing Benefit services, the huge financial inclusion challenges ahead and the specific problems facing those of working age in social housing relying on ESA and DLA.

### Recommendations to take forward

91. Practical ideas and points of further policy discussion that should be taken forward as a result of the exploration made in this report are:

- Recognise that different solutions follow from different housing, labour market and spatial settings (e.g. rural areas) as well as that different housing needs and preferences impact on the scope for downsizing.

- The continuity of DHP at or around current levels, especially for the next year, is critical.
- That data collection of turnover by property size should be managed centrally and be a priority for collection and analysis by the Scottish Housing Regulator and the Scottish Government. Work should be done to examine matching these data with existing APSR and SCORE data.
- The looming Universal Credit roll-out is a key change to the way landlords work. Losing local control of Housing Benefit and direct payments is just one reason why there will need to be investment in increasing money advice, budgeting and financial inclusion.
- Arrears arising from the 'bedroom tax' need to be clearly understood (and their relationship with other rent arrears) but caution should be exercised and further consultation should take place before considering blanket forgiveness of such arrears.

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