



Evaluation of Removal of the Spare Room Subsidy: Final Report

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Summary

This report presents findings from the evaluation of the Removal of the Spare Room Subsidy (RSRS) undertaken by Ipsos MORI and the Cambridge Centre for Housing and Planning Research. The fieldwork was carried out over the first 20 months of implementation, from April 2013 until November 2014. An interim report was published in July 2014.

The objectives of this project were to evaluate:

- The preparation, delivery and implementation of the policy changes by local authorities (LAs) and social landlords
- The extent of increased mobility within the social housing sector leading to more effective use of the housing stock
- The extent to which as a result of the RSRS more people are in work, working increased hours or earning increased incomes
- The effects of the RSRS on, and responses to it of:
 - Housing Benefit (HB) claimants
 - Social landlords
 - LAs
 - Voluntary and statutory organisations and advice services
 - Funders lending to social landlords

Background

The RSRS was brought into effect on 1 April 2013. It entailed a reduction in HB for working-age social tenants whose properties have more rooms than they need based on the Department for Work and Pensions (DWP) size criteria (see below).

The number of bedrooms required is worked out so that no one has to share a bedroom unless they are:

- A couple.
- Both aged under 10 years old.
- Both aged under 16 years old and of the same sex.

No more than two people should have to share any bedroom.

An additional bedroom is also allowed in certain circumstances for regular overnight carers, foster carers, disabled children unable to share a bedroom and people who are recently bereaved. Bedrooms used by students and members of the armed forces are not counted as 'spare' if they are away and intend to return home.

Those deemed to have spare bedrooms have had their rent eligible for HB reduced by:

- 14 per cent for one spare bedroom.
- 25 per cent for two or more spare bedrooms.

(Source: Wilson (2015) *Under-occupation of social housing: Housing Benefit entitlement* Department for Work and Pensions).

The DWP's HB data show that in May 2013, 547,000 households¹ were affected by the RSRS², which equates to 11.6 per cent of all social tenancies. By November 2014, the number had fallen to 465,000, a reduction of 14.2 per cent over the first 18 months of the policy.

Research methods

The research methods comprised:

- **Two separate surveys of social landlords throughout Britain.** The first of these ran between October and November 2013, and the second a year later in October and November 2014. A total of 312 landlords replied in full to the first survey and the second survey had 256 responses. In both surveys the landlords answering the survey (between them) managed a stock of around two million homes, over 40 per cent of the social housing stock in Britain.
- **A longitudinal survey of HB claimants both affected and not affected by the RSRS** carried out across 15 LAs in autumn 2013 and summer 2014. Face-to-face interviews were carried out with a total of 1,502 HB claimants in October and November 2013, of whom two-thirds were currently affected by the RSRS according to DWP's Single Housing Benefit Extract (SHBE) records. A follow-up survey was conducted among 972 respondents between June and August 2014, split between:
 - respondents from the 'affected cohort', which included all those affected in the autumn 2013 survey. This group is split between those 'still affected' and those 'no longer affected' by summer 2014; and
 - respondents unaffected in autumn 2013 and still unaffected by summer 2014, flagged as 'never affected'.
- **Detailed qualitative interviews with 30 of the surveyed claimants affected by RSRS** were carried out in November 2013 in six of the 15 areas, with follow-up interviews conducted between September and November 2014. Where possible, interviews were conducted with the same participants from the first wave of qualitative interviews, with those who could not be recontacted replaced by claimants of interest from the second wave of the longitudinal survey.
- **Case study work in ten LA areas.** This included group interviews carried out with LA staff and social landlords in the summer of 2013 and again in early autumn 2014, and telephone interviews with a total of 47 local agencies across the ten areas in the autumn of 2013 and again in autumn 2014, including Children's Services, the Citizens Advice Bureau, Job Centres and local voluntary organisations³.
- **Interviews with eight of the major lenders to the housing association sector** were conducted during October 2013 and they were contacted again in October 2014.
- **The DWP's Local Authority Insight Survey.** This was undertaken between October and December 2013 and included questions added to assist this evaluation.
- **Analysis of secondary data sources.** This included data on social housing lettings from CORE (Continuous Recording of Sales and Lettings, published by Department of Communities and Local Government (DCLG)) and SCORE (Scottish Continuous Recording of Sales and Lettings, published by the Scottish Government) and DWP's own data.

This report has drawn upon all these sources of information, using more than one source where possible to increase the validity of the conclusions drawn.

Key findings

Implementation

- The DWP's data shows a reduction in the number of households affected by the RSRS from 547,000 to 465,000 by November 2014,

¹ Since HB is claimed on a family household basis, the term household has been used interchangeably with claimant throughout this report.

² Data from <https://stat-xplore.dwp.gov.uk>

³ LA staff interviewed included those involved in the administration of HB, as well as strategic housing managers and (where applicable) those responsible for managing social housing stock.

a reduction of 14.2 per cent⁴. The greatest falls were in London, followed by the North West and East of England.

- There was an increase in the average age of those affected by the RSRS during the period of the research: partially explained by the rising pension age, but the research suggested that changing allocation rules are likely to have reduced the number of younger claimants whilst younger claimants were also more likely to have found work or otherwise ceased to be affected.
- A combined 46 per cent of those no longer affected said this was because of a change in household composition or their/their children's ages. One in five (20 per cent) said they found work or increased earnings and were no longer affected.
- The majority of claimants from the affected cohort were still affected nine months later. Of those affected in autumn 2013, 17 per cent were no longer affected by summer 2014.
- A range of systems had been devised jointly by LAs and social landlords for keeping landlords updated about which tenants were affected by the RSRS. Landlords working across many areas were more likely to be having difficulties in knowing which tenants were affected.
- Among those claimants still affected by the RSRS in 2014, 29 per cent said they applied for Discretionary Housing Payment (DHP) when asked what actions they had taken to deal with being affected. Comparatively few still affected claimants were successful with their application (36 per cent of those applying, 23 per cent of all still affected).
- Awareness of DHPs increased. Those who did not apply were asked if they had heard of DHP – 52 per cent said they had, meaning 66 per cent in total of the still affected claimants were aware of DHP by 2014, an increase from 49 per cent nine months previously.

- Setting conditions on the receipt of DHP (e.g. job seeking or registering and/or bidding for downsizing) was something that most LAs had developed over the course of the first year of the RSRS. LAs were becoming better at managing DHP and predicting levels of demand.
- LAs were not excluding disability benefits (Disability Living Allowance – DLA, or Personal Independence Payment – PIP) but considered both income and expenditure relating to disabilities when they means test to assess eligibility for DHP. There was some confusion amongst landlords about this.

The response of claimants

- 17 per cent of claimants affected in autumn 2013 had ceased to be so by summer 2014. The most common reasons for ceasing to be affected were finding work/increasing earnings, a friend or relative moving in or a change in age of children meaning they were no longer considered to have a spare bedroom.
- 20 per cent of affected claimants say they have looked to earn more through employment-related income as a result of the RSRS, rising to 63 per cent of those who said they were unemployed and seeking work.
- Overall, five per cent of respondents (or another adult in their household) in the initially affected cohort found work between 2013 and 2014 – three per cent were still affected, while for two per cent this meant becoming unaffected.
- Barriers to finding work or additional hours cited by participants included lack of employment opportunities in the local area and employers being unable to offer additional hours.
- Most landlords required permission for tenants to take lodgers, but only 0.3 per cent of their affected tenants had asked for permission to take a lodger. Seventeen per cent of no longer affected claimants reported the reason as being a friend or relative moved in while two per cent said that a lodger had moved in.

⁴ This is a net reduction. The extent of 'churn' of households on and off being affected by the RSRS is not known.

- Around 12,000 RSRS-affected claimants nationally were estimated to have moved to the private rented sector, less than 2.2 per cent⁵ of affected tenants.
- The proportion of affected claimants who had paid all their RSRS rental shortfall rose from 41 per cent in 2013 to 50 per cent in 2014, whilst the proportion who had paid none of their shortfall fell from 20 per cent to 10 per cent.
- Claimants who were still affected by the RSRS in 2014 were more likely than those no longer affected to say they run out of money by the end of the week or month very/fairly often (78 per cent compared with 69 per cent).
- Among those still affected, claimants had paid the rent by: using up savings; borrowing from family or friends or accruing debt, although we do not know whether they have a history of borrowing for other purposes.
- In the affected cohort cut backs were made on energy (46 per cent of those who had cut back on spending), travel (33 per cent), food (76 per cent) and leisure costs (42 per cent).
- Overall 55 per cent of tenants affected by the RSRS were in arrears in autumn 2014, though 43 per cent had been in arrears in March 2013 (prior to the introduction of the RSRS).
- In England, the RSRS has resulted in a substantial increase in demand for downsizing, compared to previous rates. The data shows a substantial increase in working-age tenants moving within social housing via transfer lists because of under occupation from 2,755 per year in 2009–10 (less than 0.5 per cent of all tenants) to 14,755 in 2013–14.
- Landlords reported in autumn 2014 that around 16 per cent of affected tenants were currently registered for downsizing – which would suggest that nationally around 87,000 tenants currently affected by the RSRS were seeking to downsize. This is a slight reduction on the 19 per cent reported to be registered for downsizing at the time of the first survey (autumn 2013).
- Claimants' reasons for not wanting to downsize were most often related to remaining close to family, liking the area, good neighbourhoods, liking the accommodation, and particular difficulties for disabled tenants related to finding a property that meets their needs as well as in packing and transporting belongings. For families with children, schools (48 per cent) were the most important barrier to moving.
- Most LAs and social landlords reported that large numbers of people were unable to move because of a shortage of smaller homes. Some claimants said they had not registered because they were aware of the shortage.

Changes to the social housing stock

- There is evidence of a declining proportion of lets to those who under occupy their new home in England, and an increase in proportion of lets to families from 36.3 per cent in 2012–13 to 40.7 per cent in 2013–14.
- By autumn 2014, most landlords gave top priority to downsizers, with 57 per cent reporting that they had increased the priority in response to the RSRS, but 20 per cent did not give them top priority.
- The landlord survey suggests that nationally around 45,000 RSRS-affected claimants had downsized within the social sector by autumn 2014, as compared with around 24,000 in autumn 2013.
- 42 per cent of landlords reported difficulties in letting some properties because of the RSRS. There was a strong correlation between the proportion of tenants affected by the RSRS and reporting difficulties in letting homes as a result. Fifty-four per cent of landlords with the highest proportion of tenants affected reported difficulties letting, compared with 13 per cent of those with the lowest proportions.
- Data supplied by landlords does not provide evidence of any statistically significant increase in voids. There is some evidence of increased turnover since the introduction of the RSRS in England, most notable for larger property sizes. Case study evidence found that there were costs associated with the increased turnover and reletting activity.

⁵ Precise percentage unknown due to 'churn' within the caseload.

- Around half (51 per cent) of developing landlords said they have altered their build plans as result of the RSRS, up from a third in 2013. They were building more one bedroom homes and fewer larger ones. Some were concerned about the future of the policy at the time of the fieldwork and hence were reluctant to alter their stock profile.
- Lenders generally felt housing associations had responded well to RSRS and have put resources in place. The RSRS was not thought to have impacted on the pricing of loans made to the housing association sector. Their concerns were more focused on the wider package of welfare reforms and Universal Credit rather than RSRS specifically.
- There was no significant change in levels of arrears held by social landlords between autumn 2013 and autumn 2014. Most landlords said they now considered the affordability of the rent for prospective tenants before letting.
- 40 per cent of still affected claimants said they were currently in arrears in 2014, a slight fall from 47 per cent in 2013. Overall, the cause of arrears is uncertain – as we cannot directly attribute increases in arrears to the RSRS. (The comparable figures for non-affected claimants are 19 and 21 per cent respectively). Tenants with arrears arising solely as a result of the RSRS were in most cases being supported and encouraged to pay, or helped with the use of DHPs. The RSRS was reported to have had some impact on homeless households seeking to move on from temporary accommodation as it was now quicker to move families, due to larger properties being freed up by downsizers, but conversely harder for singles who were now competing with more households, including downsizers, for one-bedroom properties.
- The research found no discernible increase in evictions arising from the RSRS at the time of the autumn 2014 fieldwork. Landlords reported having applied for possession on five per cent of RSRS-affected tenancies, though less than a tenth of this number have actually been evicted. Case study work suggested most evictions by November 2014 had been of tenants with pre-existing arrears and/or who had not engaged with their landlord. Most agencies reported an increase in demand for their services from 2013, but the RSRS was one of several reasons for this and it was not possible to clarify what specific impact it had had, that might not be attributable to other welfare reforms and economic changes. Agencies were concerned about the cumulative impact of welfare reform, especially the RSRS and Council Tax liability.

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 911003 14 4. Research Report 913. December 2015).

You can download the full report free from: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/research#research-publications>

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