

# The homelessness monitor: Wales 2012

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June 2013



## **The homelessness monitor 2011-2015**

The homelessness monitor is a four year study that will provide an independent analysis of the impact on homelessness of recent economic and policy developments in Wales. The key areas of interest include the homelessness effects of the post-2007 economic recession and the housing market downturn. The other main thrust of inquiry is the likely impacts of the welfare reforms and cutbacks in public expenditure being pursued by the UK Coalition Government elected in 2010, and the housing, homelessness and other relevant policies being implemented by the Welsh Government.

The homelessness monitor Wales is a four-year longitudinal study, and this first year report provides a 'baseline' account of how homelessness stands in Wales in 2012. It also highlights emerging trends and forecasts some of the likely changes, identifying the developments that may have the most significant impacts on homelessness.

While 2012 is the first year of The homelessness monitor in Wales, and also in Scotland, the first homelessness monitor for England was published in 2011. From 2013 there will also be a homelessness monitor for Northern Ireland.

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## About Crisis UK

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives.

We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience.

## About the authors

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## Acknowledgements

This report was commissioned and funded by Crisis, and our thanks to Lígia Teixeira, Duncan Shrubsole and Katharine Sacks-Jones at Crisis for all of their support with this work. We would also like to record our thanks to Peter Mackie (Cardiff University) and Citizens Advice for assisting us to secure relevant data. We would also like to acknowledge our debt to Peter Mackie for his general advice on the study. In addition, we are extremely grateful to all of the key informants from homelessness service providers and local authorities across Wales who very generously found time in their busy schedules to help us with this study.

**Disclaimer:** All views and any errors contained in this report are the responsibility of the authors. The views expressed should not be assumed to be those of Crisis or of any of the key informants who assisted with this work.

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© Crisis 2013  
ISBN 978-1-899257-86-7

Crisis UK (trading as Crisis). Registered Charity Numbers:  
E&W1082947, SC040094. Company Number: 4024938

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## Acronyms

AST	Assured Shorthold Tenancy
B&B	Bed and Breakfast Hotels
BRMA	Broad Rental Market Area
BSHF	Building and Social Housing Foundation
CA	Citizens Advice
CIH	Chartered Institute for Housing
CML	Council of Mortgage Lenders
CPI	Consumer Price Index
CTB	Council Tax Benefit
DCLG	Department for Communities and Local Government
DEL	Departmental Expenditure Limit
DHP	Discretionary Housing Payments
DWP	Department for Work and Pensions
DSS	Department of Social Security
EC	European Commission
EHS	English Housing Survey
ESA	Employment and Support Allowance
FSA	Financial Services Authority
GDP	Gross Domestic Product
GVA	Gross Value Added
HB	Housing Benefit
HMO	House in Multiple Occupation
IB	Incapacity Benefit
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
JSA	Jobseeker's Allowance
LA	Local Authority
LFS	Labour Force Survey
LHA	Local Housing Allowance
MAPPA	Multi-Agency Public Protection Arrangements
NDDs	Non-Dependant Deductions
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PRS	Private Rented Sector
RCCs	Regional Collaborative Committees
RISC	Royal Institution of Chartered Surveyors
RSI	Rough Sleepers Initiative
RSL	Registered Social Landlord
SAR	Shared Accommodation Rate
SMI	Support for Mortgage Interest
SP	Supporting People
SPG	Supporting People Grant
SPNAB	Supporting People National Advisory Board
SPPG	Supporting People Programme Grant
SPRG	Supporting People Revenue Grant
SRR	Single Room Rate
SRS	Social Rented Sector

TA	Temporary Accommodation
UC	Universal Credit
UK	United Kingdom
US	United States of America
WCA	Work Capability Assessment
WLGA	Welsh Local Government Association

## Foreword

At Crisis we know only too well that homelessness can happen to anyone at any moment in their lives but these are particularly worrying times. Wide ranging reforms, cuts to the welfare system and the continuing economic downturn are affecting the poorest and most vulnerable harder than at any time in recent memory, with the prospect of much worse to come.

Crisis commissioned this independent study because we wanted to invest in long-term authoritative analysis of the impact on homelessness of major policy and economic developments over 2011-15. This is the first report focusing on the situation in Wales, but parallel reports are also being published for other UK countries.

In this first year report the authors paint a mixed picture of the homelessness landscape in Wales. Unlike the situation in England, homelessness is rising more modestly and less consistently in Wales. The introduction of the first ever Housing Bill for Wales in Autumn 2013 is a good opportunity for the Welsh Government to introduce the major reforms to the statutory homelessness framework that will establish a more prevention-focused approach.

However, the report makes clear that the general housing market stress in Wales is getting worse, with declining access to home ownership for first time buyers and increasing demand for the social and private rental sectors. Moreover, the report also points out that the Welsh economy has been even more sluggish than those of the other UK nations and that it will be more badly affected by budget cuts due to its above average public sector. The Welsh labour market is also characterised by slightly higher levels of economic inactivity and unemployment and lower levels of pay than the rest of the UK.

Yet it is the compounding impact of benefit cuts that is likely to be more decisive in influencing homelessness levels and the affects will almost certainly intensify over the coming years. If a catastrophic increase in homelessness in Wales is to be avoided, the Coalition Government must rethink its approach and stop sweeping away the welfare safety net that saves vulnerable people from destitution and homelessness.

We would like to give our sincere thanks to the authors for all their hard work on this report and hope that the evidence provided by the Homelessness Monitor over the next three years will be a vital resource for all those in government, the homelessness sector, academia and others on the state of homelessness both in Wales and throughout the UK.



**Leslie Morphy OBE**  
Chief Executive, Crisis  
June 2013

## Executive Summary

### Key points

- The first ever Housing Bill for Wales, expected in Autumn 2013, is likely to introduce radical reforms to the statutory homelessness framework, providing statutory backing for a more prevention-focused approach.
- The proposed new homelessness 'prevention and alleviation' duties appear to command general support in Wales, but there is intense debate on specific elements, particularly the proposals to retain priority need and local connection tests while reasonable steps are taken to alleviate homelessness, and the proposed duty for local authorities to provide interim accommodation if households have 'nowhere safe to stay'.
- After a sharp decline between 2004/05 and 2009/10, associated with the widespread adoption of more pro-active preventative approaches by Welsh local authorities, statutory homelessness applications and acceptances have subsequently trended upwards in Wales, but more modestly and less consistently than seen in England. Applications in 2012 were up by 3% on the previous year and stood 19% higher than in 2009/10. Conversely, acceptances actually fell back by 8% in 2012, although remaining 8% higher than in 2009/10.
- Forms of 'hidden' homelessness – including concealed, overcrowded and sharing households – demonstrate a more mixed trend in Wales than the generally upward pressure evident in England. The number of concealed households is fairly static in Wales, with estimates of 119,000 concealed single person households in 2012, as well as 10,000 concealed couples and lone parents. After a long-term decline, there has been an increase in the number of sharing households in Wales in the last two years. The decline, and then subsequent rise, of this indicator has tracked trends in the UK but at a slightly lower level. In 2012 there were about 16,000 households sharing in Wales. Overcrowding affected around 26,000 households in Wales in 2010.
- While still less acute than that in England, pressure on affordable rented housing is continuing to intensify in Wales. Post-devolution housing expenditure in Wales has consistently formed a lower proportion of government expenditure than elsewhere in the UK, and the Welsh Government's target of some 7,500 new 'affordable' homes over the next three years may be challenging to achieve in the current financial climate.
- In combination with the prolonged economic downturn, and in common with other parts of the UK, welfare reform seems certain to drive homelessness up in Wales over the next few years. Greatest concern focuses on the new 'under-occupation penalty' (or 'bedroom tax') within Housing Benefit for working age social tenants, estimated to impact on as many as 44,000 social tenants in Wales. There is also widespread anxiety about the extension of the Shared Accommodation Rate of Local Housing Allowance to 25-34 year olds living in the private rented sector, and about a host of practical issues associated with the introduction of the Universal Credit regime, as well as the lowered values of the benefits to be provided for lone parents and larger families.
- Overall, the data available on homelessness in Wales is substantially more limited than that available in England and Scotland, particularly with respect to rough sleeping.

- Responses to homelessness are also more patchy and inconsistent in Wales than in England and Scotland, albeit that there has been significant investment in homelessness services in some local areas, particularly Cardiff.

## Introduction and methods

The aim of this four-year study is to provide an independent analysis of the impact on homelessness of recent economic and policy developments in Wales. Key areas of interest include the homelessness effects of the post-2007 economic recession and the housing market downturn. The other main thrust of inquiry is the likely impacts of the welfare reforms and cutbacks in public expenditure being pursued by the UK Coalition Government elected in 2010, and the housing, homelessness and other relevant policies being implemented by the Welsh Government.

The homeless groups taken into account in this study include:

- People sleeping rough.
- Single homeless people living in hostels, shelters and temporary supported accommodation.
- Statutorily homeless households – that is, households who seek housing assistance from local authorities on grounds of their being currently or imminently without accommodation.
- ‘Hidden homeless’ households – that is, people who are, arguably, homeless but whose situation is not ‘visible’ either on

the streets or in official statistics. Classic examples would include households subject to severe overcrowding, squatters, people ‘sofa-surfing’ around friends’ or relatives’ houses, those involuntarily sharing with other households on a long-term basis, and people sleeping rough in hidden locations. By its very nature, it is difficult to assess the scale and trends in hidden homelessness, but some particular elements of the hidden homeless population are amenable to statistical analysis and it is these elements that are focused upon in this report. These include overcrowded households, as well as ‘concealed’ households and ‘sharing’ households.

The Homelessness Monitor Wales is a four-year longitudinal study, and this first year report provides a ‘baseline’ account of how homelessness stands in Wales in 2012 (or as close to 2012 as data availability at the time of analysis allows), and analyses key trends in the period running up to 2012. It also highlights emerging trends and forecasts some of the likely changes, identifying the developments that may have the most significant impacts on homelessness.

While 2012 is the first year of the Homelessness Monitor in Wales, and also in Scotland,<sup>1</sup> the first Homelessness Monitor for England was published in 2011,<sup>2</sup> with the English 2012 update now available.<sup>3</sup> From 2013, there will also be a Homelessness Monitor for Northern Ireland. With future editions published annually, this series will track developments until 2015.

Three main methods are being employed in each year of this longitudinal study:

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1 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

2 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2011) *The Homelessness Monitor: Tracking the Impacts of Policy and Economic Change in England 2011-2013. Year 1: Establishing the Baseline*. London: Crisis. <http://www.crisis.org.uk/data/files/publications/TheHomelessnessMonitor.pdf>

3 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf)

- Relevant literature, legal and policy documents are being reviewed.
- Annual interviews are being undertaken with a sample of key informants from local authorities and single and youth homelessness services across Wales (10 key informants participated in 2012).
- Detailed statistical analysis is being undertaken on a) relevant economic and social trends in Wales, particularly post-2007; and b) the scale, nature and trends in homelessness amongst the four subgroups noted above.

## Homelessness causation

The project is underpinned by a conceptual framework on the causation of homelessness that was used to inform our interpretation of the likely impacts of economic and policy change.

Theoretical, historical and international perspectives indicate that the causation of homelessness is complex, with no single ‘trigger’ that is either ‘necessary’ or ‘sufficient’ for it to occur.<sup>4</sup> Individual, interpersonal and structural factors all play a role – and interact with each other – and the balance of causes differs over time, across countries, and between demographic groups.

With respect to the main structural factors, housing market trends and policies appear to have the most direct impact on levels of homelessness in the UK and other European countries, with the influence of labour market change more likely to be a lagged and diffuse, strongly mediated by welfare

arrangements and other contextual factors.<sup>5</sup>

The individual vulnerabilities, support needs and ‘risk taking’ behaviours implicated in some people’s homelessness are themselves rooted in the pressures associated with poverty, long-term unemployment, and other forms of structural disadvantage.<sup>6</sup> At the same time, the ‘anchor’ social relationships which can act as a primary buffer to homelessness, can be put under considerable strain by stressful economic circumstances.<sup>7</sup> Thus, deteriorating structural conditions in Wales could also be expected to generate more ‘individual’ and ‘interpersonal’ vulnerabilities to homelessness over time.

This conceptual framework led us to consider how the changing economic and policy context in Wales may affect the complex structural factors that can drive homelessness, including via impacts at the more individual and interpersonal level. Our key conclusions lie in the following areas:

- The impact, since 1999, of evolving post-devolution housing and homelessness policies in Wales.
- The implications of the post-2007 economic and housing market recessions for homelessness in Wales.
- The implications of the post-2010 UK Coalition Government policies for homelessness in Wales, particularly with respect to its welfare reforms and the cuts being implemented in public expenditure.
- Emerging trends on homelessness in Wales.

4 Fitzpatrick, S. (2005) ‘Explaining homelessness: a critical realist perspective’, *Housing, Theory & Society*, 22 (1):1-17.

5 Stephens, M., Fitzpatrick, S., Elsinga, M., Steen, G.V. & Chzhen, Y. (2010) *Study on Housing Exclusion: Welfare Policies, Labour Market and Housing Provision*. Brussels: European Commission. [http://www.sbe.hw.ac.uk/documents/Fitzpatrick\\_et\\_al\\_2010\\_Study\\_on\\_Housing\\_Exclusion\\_Welfare\\_policies\\_Labour\\_Market\\_and\\_Housing\\_Provision.pdf](http://www.sbe.hw.ac.uk/documents/Fitzpatrick_et_al_2010_Study_on_Housing_Exclusion_Welfare_policies_Labour_Market_and_Housing_Provision.pdf)

6 McNaughton, C. (2008) *Transitions through Homelessness: Lives on the Edge*. Basingstoke: Palgrave Macmillan.

7 Lemos, G. & Durkacz, S. (2002) *Dreams Deferred: The Families and Friends of Homeless and Vulnerable People*. London: Lemos & Crane; Taberner, K. (2010) *Beyond Homelessness: Developing Positive Social Networks*. Edinburgh: Rock Trust. <http://www.therocktrust.co.uk/wp-content/uploads/2012/08/REPORT-FINAL4.pdf>

## The impact of post-1999 housing and homelessness policies in Wales

It has been argued that housing can be considered, to some extent, ‘the saving grace’ in the British welfare state, as the UK does better by low income households on a range of housing indicators than it does on most poverty league tables.<sup>8</sup> Housing appears to be a comparative asset, which tends to moderate the impact of poverty on low-income households. In other words, poorer households in the UK rely on housing interventions to protect them to a greater degree than is the case in many other countries.

Three key housing policy instruments appear to contribute to these relatively good housing outcomes for low income households across the UK: Housing Benefit, which pays up to 100% of eligible rent for low-income households; a substantial social housing sector, with allocations based overwhelmingly on need, which acts as a relatively broad, and stable, ‘safety net’ for a large proportion of low income households; and the statutory homelessness system, which protects some categories of those in the most acute housing need.<sup>9</sup>

While the Housing Benefit system is shared across the UK and is undergoing significant change as part of the welfare reform agenda (see below), both social housing and homelessness policies are devolved functions. The 1999 devolution settlement gave limited legislative powers to Wales,<sup>10</sup>

and it was only recently that it has effectively been devolved the powers to amend primary legislation across a wide range of policy areas, including most aspects of housing policy. Following on from the Essex Review,<sup>11</sup> and with enhanced devolutionary powers, the profile of housing policy in Wales has recently increased. Last year saw the publication of *Homes for Wales: A White Paper for Better Lives and Communities* in May,<sup>12</sup> and the first ever Welsh Housing Bill is expected to be introduced into the National Assembly for Wales in Autumn 2013.

This Welsh Housing Bill seems set to introduce radical reforms to the statutory homelessness framework, with the aim of ushering in a more prevention-focused approach. This follows from a Welsh Government-commissioned review of the homelessness legislation, which proposed a ‘Housing Solutions’ model of change that would see the primary focus of local authority duties switch to preventative interventions which would *precede* the assessment of entitlements under the existing statutory homelessness system.<sup>13</sup>

As it stands,<sup>14</sup> the new approach will place a duty on local authorities “*to take all reasonable steps to prevent or alleviate homelessness the result of which is the reasonable prospect of the applicant being accommodated for a minimum period of six months.*” Where the household is ‘threatened with homelessness’, no account would be taken of priority need, intentionality or local connection at this prevention stage. Where

8 Bradshaw, J., Chzhen, Y. & Stephens, M. (2008) ‘Housing: the saving grace in the British welfare state?’, in Fitzpatrick, S. & Stephens, M. (eds.) *The Future of Social Housing*. London: Shelter.

9 Fitzpatrick, S. & Stephens, M. (eds.) (2008) *The Future of Social Housing*. London: Shelter.

10 Though secondary legislation could be amended by the Welsh Government, and this was relevant to many aspects of homelessness, e.g. priority need groups.

11 Essex, S., Smith, R. & Williams, P. (2008) *Affordable Housing Task and Finish Group: Report to the Deputy Minister for Housing*. Cardiff: Welsh Assembly Government.

12 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

13 Mackie, P., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Options for an Improved Homelessness Legislative Framework in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131improvehomelessframeen.pdf>

14 This summary of legislative proposals reflects our understanding of the current position, which incorporates a number of significant changes since the Housing White Paper was published in May 2012, and details are subject to change through the drafting process until the introduction of the Bill in the Autumn.

households are 'homeless' at the point of presentation, however, and the local authority therefore has a duty to take reasonable steps to alleviate homelessness, priority need and local connection tests will be applied, with only those in priority need eligible for interim accommodation if they have 'nowhere safe to stay'. Local authorities would be able to discharge both their prevention and alleviation duties by a) enabling the individual to remain in their existing accommodation or move to suitable alternative accommodation, or b) accepting a statutory homelessness application.

The strengthened homelessness prevention duties appear to command general support in Wales, but there is intense debate on specific elements, particularly the proposals to retain priority need and local connection tests whilst reasonable steps are taken to alleviate homelessness, and the proposed duty for local authorities to provide interim accommodation if households have 'nowhere safe to stay'. The White Paper additionally proposed the removal of the 'intentionality' test for families with children by 2019; this proposal has brought criticism from local authorities and housing associations, but strong support from children's charities and other voluntary organisations.

Another current area of concern for homelessness service providers in Wales is the distribution of Supporting People monies. While, unlike in Scotland and England,<sup>15</sup> these funds remain ring-fenced at the local level in Wales, the previously separate Supporting People Grant (local authority-

controlled) and Supporting People Revenue Grant (Welsh Government controlled) have now been merged into a single unified Supporting People Programme Grant, which is distributed via local authorities.<sup>16</sup> At the same time, there has been a redistribution of Supporting People funds between Welsh local authorities (as well as a general reduction in the Supporting People budget as elsewhere in the UK).<sup>17</sup> Homelessness organisations expressed concerns that, though the Supporting People Programme Grant would still be ring-fenced once transferred to local authorities, funds may nevertheless be directed away from 'unpopular' groups, including single homeless people. In response, the Welsh Government has set up six 'Regional Collaborative Committees'<sup>18</sup> – including representatives from local authorities, health, probation services, Supporting People service providers, social landlords and service users – to which local authorities must report in terms of their Supporting People distribution. The Regional Collaborative Committees have an advisory and coordination role,<sup>19</sup> and are reporting to a new Supporting People National Advisory Board, chaired by the Minister.<sup>20</sup>

Overall, there appears to be a much patchier and uneven set of responses to homelessness in Wales than is the case in England and Scotland. There has been no equivalent to the English and Scottish Rough Sleepers Initiatives at national level in Wales, for example, and no nationally-funded programme to improve hostel and day centre provision (like the 'Hostels Capital

15 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf); Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

16 Welsh Government (2012) *Supporting People Programme Grant (SPPG) Guidance (Wales)*. Cardiff: Welsh Government. <http://new.wales.gov.uk/topics/housingandcommunity/housing/supportingpeople/publications/spppguide/?lang=en>

17 This redistribution will take place over a 5 year period with a Ministerial undertaking that no local authority would lose any more than 5% in any one year.

18 Welsh Government (2013) *Regional Collaborative Committees*. Cardiff: Welsh Government. <http://new.wales.gov.uk/topics/housingandcommunity/housing/supportingpeople/rcc/?skip=1&lang=en>

19 Ibid

20 Welsh Government (2013) *Supporting People Bulletin and Update*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/130319spbulletin7en.pdf>

Improvement Programme' in England). That said, there has been significant investment in homelessness services in some local areas in Wales, notably Cardiff, and single people are included in the statutory homelessness system and statistics in Wales to a greater extent than in England, because of differences in the priority need criteria. Specifically, and controversially, the priority need groups in Wales award 'automatic' priority need status (i.e. without having to demonstrate vulnerability) to persons leaving prison.<sup>21</sup> This is the main reason that single person households constitute a far higher proportion of all households accepted as owed the main statutory duty in Wales (around half) than in England (around one quarter), though this is still somewhat lower than the proportion in Scotland (almost two-thirds). This automatic priority need status of ex-offenders may be removed in the context of the forthcoming Housing Bill and associated secondary legislation in Wales.

An important general point to bear in mind is that Wales has a far less favourable financial devolution settlement, compared to Scotland, particularly in respect of council housing finances, where it continues to make payments of rental 'surpluses' to HM Treasury. Within that constrained context the Welsh Government has given a relatively low financial priority to housing in the decade following devolution, as compared with the administrations in England, let alone the much higher priority given to housing expenditure in post-devolution Northern Ireland and Scotland. In particular, there has been an underlying decline in planned social housing investment levels. While some supplementary capital funding from

its share of the UK-wide 'capital package' has now been made available by the Welsh Government to support housing and related infrastructure investment,<sup>22</sup> this short-term 'boost' has in practice so far only served to put off that decline for another year. The Welsh Government's commitment to provide some 7,500 new 'affordable' homes over three years will therefore be very challenging to achieve in the current financial climate.

### **The implications of the post-2007 economic and housing market recessions on homelessness in Wales**

Analyses of previous UK recessions have suggested that unemployment can affect homelessness both *directly* – via higher levels of mortgage or rent arrears – and *indirectly* – through pressures on family and household relationships.<sup>23</sup> These tend to be 'lagged' recessionary effects, and also rather diffuse ones, mediated by many intervening variables, most notably the strength of welfare protection. As social security systems, and especially housing allowances, are what usually 'breaks the link' between losing a job and homelessness,<sup>24</sup> significant reform of welfare provisions – such as that being pursued by the UK Coalition Government and discussed below – are likely to exacerbate the recessionary impacts on homelessness trends. With the UK economy having flat-lined over the past two years, and the Welsh economy rather more sluggish than those of the other UK countries, these effects are likely to intensify over the coming years, though the compounding impact of benefit cuts is likely to be more decisive in

**21** The Homeless Persons (Priority Need) (Wales) Order 2001. No 607 (W.30). <http://www.legislation.gov.uk/wsi/2001/607/contents/made>

**22** Welsh Government (2012) *Wales Infrastructure Investment Plan for Growth and Jobs 2012*. Cardiff: Welsh Government. <http://wales.gov.uk/funding/wiip2012/?lang=en>

**23** Vaitilingham, R. (2009) *Britain in Recession: Forty Findings from Social and Economic Research*. Swansea: ESRC; Audit Commission (2009) *When it comes to the Crunch: How Councils are Responding to the Recession*. London: Audit Commission. <http://archive.audit-commission.gov.uk/auditcommission/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/whenitcomestothecrunch12aug2009REP.pdf>

**24** Stephens, M., Fitzpatrick, S., Elsinga, M., Steen, G.V. & Chzhen, Y. (2010) *Study on Housing Exclusion: Welfare Policies, Labour Market and Housing Provision*. Brussels: European Commission. [http://www.sbe.hw.ac.uk/documents/Fitzpatrick\\_et\\_al\\_2010\\_Study\\_on\\_Housing\\_Exclusion\\_Welfare\\_policies\\_Labour\\_Market\\_and\\_Housing\\_Provision.pdf](http://www.sbe.hw.ac.uk/documents/Fitzpatrick_et_al_2010_Study_on_Housing_Exclusion_Welfare_policies_Labour_Market_and_Housing_Provision.pdf)

influencing homelessness levels rather than the economic downturn in and of itself.

Housing market conditions tend to have a more direct impact on levels of homelessness than labour market conditions,<sup>25</sup> and the last major housing market recession actually *reduced* statutory homelessness in Wales,<sup>26</sup> because it eased the affordability of home ownership, which in turn freed up additional social and private lets. Crucially, the 1990s also saw a substantial rise in the availability of social sector lettings in Wales as a result of government action to increase investment in new social sector housing as part of its response to the housing market collapse. This positive impact on general housing access and affordability substantially outweighed the negative consequences of economic weakness on housing – e.g. evictions or repossessions triggered by loss of employment. The easing of housing access pressures is crucial in this context because frustrated ‘entry’ into independent housing by newly forming or fragmenting households is a far more important ‘trigger’ of (statutory) homelessness than are forced ‘exits’ via arrears-related repossessions or evictions.<sup>27</sup> There is also good evidence that general conditions of housing affordability predict levels of hidden homelessness, such as overcrowding or concealed households.<sup>28</sup>

However, such a benign impact of the housing market recession is less likely this time. Notwithstanding a minor upturn in social housing availability in Wales in the period to 2011, levels of lettings available in the social rented sector are lower than during the last recession, primarily due to the long-term impact of the right to buy and continued

low levels of new supply. The continuing constraints on mortgage availability are also placing increasing pressures on the rented sectors. In that context, the continued expansion of the private rented sector – the sector has expanded by more than 50% in Wales over the last decade – assumes much greater prominence in terms of its capacity to absorb low income households displaced from the other tenures (albeit that it may not represent the preferred housing destination of frustrated first time buyers or social renters). Linked with this, it is clear that private renting has become increasingly important both as a solution to homelessness (by absorbing some of those who might otherwise become homeless) and also, potentially, as a cause of homelessness (via the ending of fixed-term tenancies). There are doubts about the likely availability of private lettings to lower income households in the coming years as a result of both the squeeze from frustrated potential first time buyers and welfare benefit restrictions.<sup>29</sup>

In the longer-term, prospects for improved housing market affordability – and accessibility – continue to look problematic in Wales. Latest household projections suggest that housing demand will continue to grow strongly over the medium and longer-term: in the 25 years from 2008, household growth in Wales is projected to average almost 13,000 per annum (although lower variant projections suggest a growth rate of only some 7,500 additional households a year). Therefore, even a revival of construction activity to pre-credit-crunch levels – of some 9,000 dwellings per annum – would leave house building running far behind the projected demand on the main projections (although

<sup>25</sup> Ibid.

<sup>26</sup> See Table 90 in: Pawson, H. & Wilcox, S. (2012) *UK Housing Review 2011/12*. Coventry: CIH.

<sup>27</sup> Pleace, N., Fitzpatrick, S., Johnsen, S., Quilgars, D. & Sanderson, D. (2008) *Statutory Homelessness in England: The Experience of Families and 16-17 Year Olds*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2008/Family%20Homelessness%20final%20report.pdf>

<sup>28</sup> Bramley, G., Pawson, H., White, M., Watkins, D. & Pleace, N. (2010) *Estimating Housing Need*. London: DCLG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6338/1776873.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf)

<sup>29</sup> Clapham, D., Mackie, P., Orford, S., Buckley, K., Thomas, I. Atherton, I. & McNulty, U. (2012) *Housing Solutions and Housing Options for Young People in 2020*. York: Joseph Rowntree Foundation.

adequate in term of the alternative lower projections).

## The implications of the UK Coalition Government's welfare reforms on homelessness

As noted above, any radical weakening in welfare protection in the UK is likely to have damaging consequences for homelessness. Almost all aspects of the UK Coalition Government's welfare reforms are considered to be problematic with respect to their implications for homelessness, to a greater or lesser degree. However, within that context the reforms that seem likely to have the most significant homelessness implications in Wales are:

- The new under-occupation penalty ('bedroom tax') within Housing Benefit for working age social housing tenants, implemented from April 2013, and estimated to affect as many as 44,000 Welsh social tenants. About 19% of all social tenants in Wales, and almost a half of those of working age and in receipt of Housing Benefit, will be impacted upon by the bedroom tax, with the losses for these households averaging £14 per week.<sup>30</sup> This will undoubtedly drive up rent arrears and evictions in Wales, as elsewhere in the UK,<sup>31</sup> given the limited capacity to assist households affected move to smaller accommodation, as well as the rigidity of the rules in respect of households whose circumstances are not adequately reflected in the bedroom standard (even given recent limited concessions);
- The extension of the 'Shared Accommodation Rate' of Local Housing Allowance to 25-34 year olds living in the private rented sector, which will increase pressure on a limited supply of shared accommodation and possibly force vulnerable people into inappropriate shared settings (even with the concession for those who have lived in hostels for at least three months);<sup>32</sup>
- The national benefit cap for out-of-work (working age) households to be introduced in April 2013, in association with the move towards the Universal Credit regime, and expected to restrict benefits for some 1,500 households in Wales, including 6,000 children;<sup>33</sup> and
- Increased conditionality and sanctions associated with the Work Programme, implying the possibility of stringent sanctions applied to vulnerable single homeless people and others with chaotic lifestyles.<sup>34</sup> This is coupled with concerns about inappropriate decisions arising from Work Capability Assessments rendering vulnerable homeless people ineligible for sickness benefits.

The Government intends to introduce Universal Credit for new claimants from October 2013 and to 'migrate' existing claimants onto the scheme over a subsequent four-year period. While the Universal Credit as a whole is not in itself an initial cost saving measure, it will be introduced in a context where the UK Government has already set in train a series of significant cut backs in the levels of available benefits, and an analysis by

30 DWP (2012) *Housing Benefit: Under Occupation of Social Housing – Impact Assessment (Updated)*. London: DWP. <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

31 Pawson, H. (2011) *Welfare Reform and Social Housing*. York: HQN Network. [http://www.hqnetwork.org.uk/scripts/get\\_normal?file=7203](http://www.hqnetwork.org.uk/scripts/get_normal?file=7203)

32 Centre for Housing Policy, University of York (2011) *Unfair Shares: A Report on the Impact of Extending the Shared Accommodation Rate of Housing Benefit*. London: Crisis. <http://www.york.ac.uk/media/chp/documents/2011/unfairshares.pdf>

33 DWP (2012) *Benefit Cap (Housing Benefit) Regulations 2012: Impact Assessment for the Benefit Cap*. London: DWP. <http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf>

34 An overview of the complex issues that some single homeless people face is captured in Fitzpatrick, S., Johnsen, S. & White, M. (2011) 'Multiple Exclusion Homelessness in the UK: Key patterns and intersections', *Social Policy and Society*, 10 (4): 501-512.

the Welsh Government (with input from the Institute for Fiscal Studies) has estimated that by 2015/16 the impact of all the benefit cutbacks, including those announced in the 2012 Autumn Statement, will result in losses totaling over £1 billion a year for Welsh households.<sup>35</sup> An analysis of the local impacts of all those cutbacks has also found that three of the 'top ten' areas most adversely affected in Great Britain are located in Wales.<sup>36</sup> The present Coalition Government has also now made clear that it is considering further £10 billion in UK-wide welfare savings from 2015/16, and the possible introduction of cash limits for some welfare budgets.<sup>37</sup> But before then it has already announced that benefit rates for working age households will only be uprated by 1% for the three years from April 2013.

At the same time, there are many complex issues involved in the design of Universal Credit, in particular the logistical challenge of integrating the tax and benefit IT systems. The new regime will also be more complex than necessary, as it includes a two-tier earnings disregard, with a higher disregard available for households not receiving any help with housing costs as part of their Universal Credit. There are specific concerns about the lower values of the benefits to be provided for lone parents and larger families, partly resulting from the structural characteristics of Universal Credit, and partly reflecting other benefit cuts already introduced since 2010.

The practical challenges faced by benefit claimants under these new Department

for Work and Pensions arrangements were a matter of great concern amongst both voluntary and statutory sector key informants in Wales. In particular, the expectation that claims will be lodged online is seen as a major issue for many claimant households, as are the potential budgeting difficulties associated with paying very low income and vulnerable households monthly in arrears. Another major source of anxiety is the intention to incorporate the rent element of Universal Credit within the overall payment – rather than (in general) making it a detachable component which could be paid direct to social landlords – with potential implications for rent arrears, evictions and ultimately homelessness. The Government has launched a number of local 'demonstration projects' to inform decisions on the rules for exceptional cases where payments in respect of rent might still be made direct to social landlords under Universal Credit, and a number of the councils and landlords involved in the demonstration projects, including Bron Afon,<sup>38</sup> have already expressed their concerns about the substantial impact of the arrangements on both vulnerable tenants and landlords.

A number of other welfare reforms that will affect homeless people across the UK fit within a general 'localisation' policy agenda, which seeks to pass from central to local government responsibility for dealing with households in financial crisis. This pertains in particular to the locally distributed enhanced Discretionary Housing Payment funds,<sup>39</sup> intended to ameliorate the worst impacts of mainstream Housing Benefit cuts, and the

35 Welsh Government (2013) *Analysing the Impact of the UK Government's Welfare Reforms in Wales – Stage 2 Analysis*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/dcells/report/130218wr-stage2-analysis-en.pdf>

36 Beatty, C & Fothergill, S. (2013) *Hitting the Poorest Places Hardest: The Local and Regional Impact of Welfare Reform*. Sheffield: Centre for Regional Economic and Social Research, Sheffield Hallam University. [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf)

37 HM Treasury (2013) *Budget 2013, HC 2013*. London: The Stationery Office.

38 Merrick, N. (2013) 'Universal Credit: 'Carefully selected' tenants struggling to cope with direct payments', *24dash*, 6th February: [http://www.24dash.com/news/universal\\_credit/2013-02-06-Universal-Credit-Carefully-selected-tenants-struggling-to-cope-with-direct-payments](http://www.24dash.com/news/universal_credit/2013-02-06-Universal-Credit-Carefully-selected-tenants-struggling-to-cope-with-direct-payments)

39 Discretionary Housing Payments are top-up Housing Benefit payments to close or eliminate the gap between a household's Local Housing Allowance entitlement and the rent being demanded by their landlord. Local authorities have been provided with an increase in their budgets for Discretionary Housing Payments in order to ameliorate the impact of the Local Housing Allowance in some cases. The Welsh share of the Discretionary Housing Payment budget is very small (see Chapter 4).

abolition of key elements of the Social Fund and its replacement with new discretionary local welfare schemes. In England, local authorities are to be provided with some limited government funding, which they may use at their discretion to either fill the gap left by the abolition of those centralised provisions, or to otherwise provide selective additional support to households where they deem it to be appropriate. In Scotland, local authorities will undertake these new responsibilities in the context of a Scottish Welfare Fund established, with additional funds, by the Scottish Government.<sup>40</sup> In contrast, Wales has decided to use its devolved funding, of £10 million a year for the next two years, to set up a centralised scheme for Wales as a whole, partly to avoid concerns about a ‘postcode lottery’.<sup>41</sup> In adopting this approach, the Welsh Government is giving local government a lesser role in attempting to mitigate the negative effects of welfare reforms than will be true in England and Scotland.

Also relevant here is the decision to exclude Council Tax Benefit from the new Universal Credit regime. Instead, from 2013/14, local authorities in England, and the Scottish and Welsh Governments, have been charged with devising their own schemes in the context of a 10% reduction in the financial support for their new Council Tax Benefit schemes.<sup>42</sup> However, the Welsh Government has now provided £22 million to prevent any reduction in levels of Council Tax Benefit entitlement in Wales in 2013/14, matching similar provisions made in Scotland.<sup>43</sup>

## Emerging statistical trends on homelessness in Wales

The emerging statistical patterns on both ‘visible’ and ‘hidden’ forms of homelessness in Wales appear – insofar as one can tell from the data available – similar to those in England, but considerably less pronounced. These more muted Welsh homelessness trends probably reflect a somewhat less pressured housing market context than in (parts of) England. Nonetheless, the underlying drivers of homelessness appear to be on an upward trajectory in Wales, with the situation very likely to deteriorate as UK welfare reform kicks in. Overall, the data available on homelessness in Wales is substantially more limited than that available in England and Scotland.

### Trends in visible homelessness

*Rough sleeping* is monitored in Wales only on an occasional basis. The Welsh Government co-ordinated national rough sleeper counts in March 2007 and March 2008, with 138 and 124 rough sleepers enumerated across the country in these counts respectively. In both years, the largest single concentration was in Cardiff where 26 rough sleepers were enumerated on each occasion. There are anecdotal reports of a recent rise in rough sleeping in Cardiff and elsewhere in Wales, but no means of verifying these accounts statistically.

After a sharp decline between 2004/05 and 2009/10, associated with the widespread adoption of more pro-active preventative approaches by Welsh local authorities, *statutory homelessness* applications and acceptances have subsequently trended

40 Scottish Government (2012) ‘Protecting Scotland’s poorest’, *Scottish Government Press Release*, 21st October: <http://www.scotland.gov.uk/News/Releases/2013/03/scottish-welfare>

41 Welsh Government (2012) ‘Welsh Social Fund Contract Awarded’, *Welsh Government Press Release*, 15th November: <http://wales.gov.uk/newsroom/housingandcommunity/2012/6764429/?lang=en>

42 Adam, S. & Browne, J. (2012) *Reforming Council Tax Benefit*. York: JRF. <http://www.jrf.org.uk/sites/files/jrf/council-tax-reform-summary.pdf>

43 Welsh Government (2013) ‘Minister delivers vital support for Council Tax Benefit claimants’, *Welsh Government Press Release*, 17th January: <http://wales.gov.uk/newsroom/localgovernment/2013/council-tax-benefits/?lang=en>; Scottish Government (2012) ‘Council tax to be protected’, *Scottish Government Press Release*, 19th April: <http://www.scotland.gov.uk/News/Releases/2012/04/counciltax19042012>

upwards in Wales, but more modestly and less consistently than seen in England. Applications in 2012 were up by 3% on the previous year and stood 19% higher than in 2009/10 – the low point in the cycle. Conversely, acceptances actually fell back by 8% in 2012, although remaining 8% higher than in 2009/10. Rising statutory homelessness *applications* are consistent with the finding that cases of actual or threatened homelessness dealt with by Citizens Advice in Wales increased by 43% in the three years to 2011/12, with a particularly large rise in cases associated with private rental arrears. Interestingly, with respect to both statutory homelessness and Citizens Advice homelessness cases, most of the increase occurred between 2009/10 and 2010/11.

The profile of statutorily homeless households appears relatively stable overall in Wales, though there is a continued growth in both the relative and absolute importance of institutional release (overwhelmingly from prison) as an immediate cause of homelessness, prompting calls for review of the automatic priority need status of this group as part of the ongoing comprehensive review of the Welsh statutory homelessness system (see above).

While much of the anxiety surrounding recessionary impacts on homelessness focuses on repossessions consequent on rent and mortgage arrears, these factors continue to account for only a very small proportion (5%) of all statutory homelessness cases in Wales, as elsewhere in the UK. This finding is in keeping with the perception of key stakeholders that most repossessed

home owners in particular are able to find at least an interim solution to their housing problems via family and friends, or by securing a private tenancy. It also follows from the, as yet, unexpectedly low level of repossessions which have taken place in the current housing market downturn.

### Trends in hidden homelessness

The number of *concealed households*<sup>44</sup> has been fairly static in Wales, with a certain decline in 2010 partially reversed in 2012. In 2012 there are an estimated 91,000 households containing at least one concealed single household, involving 119,000 individuals. This is in addition to approximately 10,000 concealed lone parent/couple families. There has been some slowing down in new household formation in Wales, particularly in the 25-34 group, mainly because of affordability and access problems, although this is less marked than in England. Recent fluctuations probably reflect changes in the private rented sector supply and, most recently, ‘double dip’ recession and welfare benefit changes.

After a long-term decline, there has been an increase in the number of *sharing households*<sup>45</sup> in Wales over the last two years, probably reflecting the impact of constrained access to housing following the 2007 credit-crunch and the subsequent recession. The decline, and then subsequent rise, of this indicator has tracked trends in the UK, but at a slightly lower level. In 2012 there were about 16,000 households sharing in Wales (1.2% of all households). Extending the Shared Accommodation Rate to 25-34 year olds may further increase the number of households sharing accommodation

44 ‘Concealed households’ are family units or single adults living within other households, who may be regarded as potential separate households that may wish to form given appropriate opportunity.

45 ‘Sharing households’ are those households who live together in the same dwelling but who do not share either a living room or regular meals together. This is the standard Government and ONS definition of sharing households, which is applied in the Census and in household surveys. This means that many people who are ‘flatsharers’ in the common usage of the term, or who are ‘sharing’ in the sense of being subject to the Shared Accommodation Rate, as well as many students, are not ‘sharing households’ in this sense, mainly because they have a common living room (including larger kitchens) and/or they share some meals. In the current analysis, such groups are considered ‘concealed households’. In practice, the distinction between ‘concealed’ and ‘sharing’ households is a very fluid one.

in Wales, but with the strong demand pressures on a limited supply of shared accommodation,<sup>46</sup> it seems likely that many of those affected will become ‘concealed households’ instead.

*Overcrowding*<sup>47</sup> affected around 26,000 households (2.0%) in Wales in 2010. While there is no trend data available on overcrowding in Wales, it appears to be much more common in social renting.

### **The homelessness monitor: Tracking the impacts on homelessness in Wales going forward**

Looking forward, the next three years is a crucial time period over which the intensifying homelessness impacts of the recession are likely to be severely exacerbated by the UK Government’s radical welfare reforms. At the same time, housing market pressures, while still less acute than those experienced in England, are continuing to worsen in Wales, with severely constrained access to home ownership for first time buyers, which in turn is increasing demand for both of the rental sectors.

As well as tracking headline trends on homelessness till 2015, we will also attempt to ascertain the profile of those affected by both visible and hidden forms of homelessness, and whether there is any evidence of a change in this as the impacts of recession and welfare reform are played out over the next few years.

The evidence provided by this Homelessness Monitor over the next three years will provide a powerful platform for assessing the impact of economic and policy change on some of the most vulnerable people in Wales.

<sup>46</sup> Centre for Housing Policy, University of York (2011) *Unfair Shares: A Report on the Impact of Extending the Shared Accommodation Rate of Housing Benefit*. London: Crisis. <http://www.york.ac.uk/media/chp/documents/2011/unfairshares.pdf>

<sup>47</sup> ‘Overcrowding’ is defined here according to the most widely used official standard – the ‘bedroom standard’. Essentially, this allocates one bedroom to each couple or lone parent, one to each pair of children under 10, one to each pair of children of the same sex over 10, with additional bedrooms for individual children over 10 of different sex and for additional adult household members.



# 1. Introduction

## 1.1 Introduction

The aim of this study is to provide an independent analysis of the impact on homelessness of recent economic and policy developments in Wales. It considers both the impact of the post-2007 economic and housing market recession on homelessness, and also the impact of welfare reform now being implemented under the Conservative-Liberal Coalition Government elected in 2010, as well as the impact of relevant Welsh Government policies. The report was commissioned in response to concerns that the recession may be driving up homelessness across the UK, and also that some of the Coalition's radical welfare reform agenda in particular may have deleterious effects on those vulnerable to homelessness.

This Welsh Homelessness Monitor is a four-year longitudinal study, and this first year report provides a 'baseline' account of how homelessness stands in Wales in 2012 (or as close to 2012 as data availability allows), and analyses key trends in the period running up to 2012. It also highlights emerging trends and forecasts some of the likely changes, identifying the developments that are likely to have the most significant impacts. It further provides a conceptual framework for linking policy and economic developments to possible impacts on homelessness, and describes how these impacts will be assessed over the next three years of the project.

There are parallel Homelessness Monitors being completed for other parts of the UK and, while 2012 is the first year of this Welsh

Homelessness Monitor, and also for the Scottish Homelessness Monitor,<sup>48</sup> the first Homelessness Monitor for England was published in 2011,<sup>49</sup> with the English 2012 update now available.<sup>50</sup> From 2013, there will also be a Homelessness Monitor for Northern Ireland. All of these UK Homelessness Monitors will track developments till 2015, together with an annual UK summary.

## 1.2 Definition of homelessness

A wide definition of homelessness is adopted in this report, and we are considering the impacts of the relevant policy and economic changes on all of the following homeless groups:

1. People sleeping rough.
2. Single homeless people living in hostels, shelters and temporary supported accommodation.
3. Statutorily homeless households – that is, households who seek housing assistance from local authorities (LAs) on grounds of their being currently or imminently without accommodation. This covers all household types, including families with children and single people.
4. 'Hidden homeless' households – that is, households living in overcrowded conditions, and also 'concealed' and 'sharing' households. This definition of hidden homelessness has the benefit of being measurable using national datasets.

48 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

49 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2011) *The Homelessness Monitor: Tracking the Impacts of Policy and Economic Change in England 2011-2013. Year 1: Establishing the Baseline*. London: Crisis. <http://www.crisis.org.uk/data/files/publications/TheHomelessnessMonitor.pdf>

50 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England)

Further details on the definitions used for each of these categories are given in subsequent chapters.

### 1.3 Research focus and methods

Key areas of interest include the effects on homelessness of the post-2007 economic recession and the housing market downturn. The other main thrust of inquiry is the likely impacts of the welfare reforms and cutbacks in public expenditure being pursued by the UK Coalition Government elected in 2010, and the housing, homelessness and other relevant policies being implemented by the Welsh Government.

Three main methods are employed in this study:

First, relevant literature, research and policy documents have been reviewed, including Government impact assessments, documents emanating from the recent review of homelessness legislation in Wales (led by Cardiff University's Peter Mackie, and hereinafter described as the 'Mackie study'),<sup>51</sup> and briefings and evaluations prepared by a range of organisations. We have also analysed relevant legislation and Government consultation documents, including the Welfare Reform Act 2012 and the Welsh Housing White Paper.<sup>52</sup>

Second, we have undertaken ten interviews with senior representatives of service provider organisations likely to experience, directly, homelessness impacts of policy changes and economic developments. In order to facilitate as open and frank a discussion as possible, all interviewees and organisations

are anonymised in this report. In selecting these interviewees we sought to capture the experiences of a range of different homeless or potentially homelessness groups, and also a geographical and sectoral balance, such that we interviewed:

- Representatives of three voluntary sector service providers, which work with single homeless people, young homeless people, and homeless women; and
- Representatives of three local authorities (LAs) in Wales, including two urban authorities and one mixed urban/rural authority.

All of these interviews have been conducted face-to-face. In these initial interviews we sought key informants' perspectives on both existing impacts of economic and policy change on homeless people and those at risk of homelessness, and also any future impacts that they are anticipating. The topic guides used in these first round interviews are presented in Appendix 1 (single/youth homelessness voluntary sector agencies) and Appendix 2 (LAs). The plan is for these interviews to be staged annually throughout the duration of the project, in order to track changes over time in experiences and perceptions of the impact within a purposively selected sample of service providers and other key informants across Wales. All of those who have participated in this first year of the project have expressed their willingness to stay involved for the four-year period.

Third, and finally, we have undertaken statistical analysis on a) relevant economic and social trends in Wales, particularly

51 Mackie, P., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Options for an Improved Homelessness Legislative Framework in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131improvehomelessframeen.pdf>; Mackie, P., Thomas, I., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Assessing the Impacts of Proposed Changes to Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120901housingimpacten.pdf>; Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysishomelesslegen.pdf>

52 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

post-2007; and b) the scale and nature of homelessness amongst the four subgroups noted above, and recent trends in this. A range of administrative and survey data sources have been consulted, and we should like to acknowledge the assistance of Dr Peter Mackie (Cardiff University) and Citizens Advice in helping us to secure relevant data.

#### **1.4 Structure of report**

Chapter 2 places current homelessness in Wales in a broader historical, UK and international perspective, and also provides a conceptual framework on homelessness 'causation', which informs the consideration of economic and policy impacts in the remainder of the report. Chapter 3 reviews the economic context and the implications of the recession and housing market developments for homelessness. Chapter 4 shifts focus to the likely impacts of policy developments under both the UK Coalition Government, especially its welfare reform agenda, and the Welsh Government, particularly its housing and homelessness policies. Chapter 5 provides an analysis of the available statistical data on current scale and recent trends on homelessness in Wales, focusing on the four subgroups noted above, thus forming a 'baseline' for subsequent monitoring and identifying any trends already emerging. All of these chapters are informed by the insights derived from our qualitative interviews with key informants. In Chapter 6 we summarise the main findings of this baseline report and set out a framework for monitoring the impact on homelessness of policy and economic change until 2015.

## 2. The historical and international context for homelessness in Wales

### 2.1 Introduction

This chapter begins by providing a brief historical introduction to homelessness in Wales, concentrating on the post-devolution era. It focuses on the main policy and institutional responses of the Welsh Government to each of the four homeless subgroups noted in Chapter 1, and how these compare to those of the other UK nations. It then places this 'Welsh story' in a wider international context. The chapter concludes by summarising current thinking on the causation of homelessness – informed by these historical and internationally comparative accounts – in order to provide a conceptual framework to inform the analysis of potential policy and economic impacts on homelessness that forms the main focus of the report.

### 2.2 A recent history of homelessness in Wales

The 1999 devolution settlement gave limited legislative powers to Wales,<sup>53</sup> and it was only recently that it has effectively been devolved the powers to amend primary legislation across a wide range of policy areas, including most aspects of housing policy. Wales also has a far less favourable financial devolution settlement, compared to Scotland, particularly in respect of

council housing finances, where it continues to make payments of rental 'surpluses' to HM Treasury. Within that constrained context, the Welsh Government gave a relatively low financial priority to housing and homeless policy in the decade following devolution, certainly as compared with the administrations in England and Scotland (see Chapter 4). However, following on from the Essex Review,<sup>54</sup> and with enhanced devolutionary powers, in the more recent period the profile of housing policy in Wales has increased. Last year saw the publication of *Homes for Wales: A White Paper for Better Lives and Communities* in May,<sup>55</sup> and the first ever Welsh Housing Bill is expected to be introduced into the National Assembly for Wales in Autumn 2013. These developments have important implications for homelessness policy in Wales, as will be discussed below.

#### Rough sleeping

As has been well documented,<sup>56</sup> the very visible growth of rough sleeping in central London in the late 1980s prompted the then Conservative Government to establish the first Rough Sleepers Initiative (RSI) in London in 1990.<sup>57</sup> Rough sleeping has subsequently been a very active area of policy development for successive Conservative, Labour and Coalition Westminster administrations,<sup>58</sup> and for the Mayor of London.<sup>59</sup> In Scotland, too, a national RSI was launched in 1997,<sup>60</sup> and

53 Though secondary legislation could be amended by the Welsh Government, and this was relevant to many aspects of homelessness, e.g. priority need groups.

54 Essex, S., Smith, R. & Williams, P. (2008) *Affordable Housing Task and Finish Group: Report to the Deputy Minister for Housing*. Cardiff: Welsh Assembly Government.

55 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

56 Jones, A. & Johnsen, S. (2009) 'Street homelessness', in Fitzpatrick, S., Quilgars D. & Pleace, N. (eds.) (2009) *Homelessness in the UK: Problems and Solutions*. Coventry: CIH.

57 Randall, G. & Brown, S. (1993) *The Rough Sleepers Initiative: An Evaluation*. London: HMSO; Social Exclusion Unit (1998) *Rough Sleeping - Report by the Social Exclusion Unit*. London: HMSO.

58 Jones, A. & Johnsen, S. (2009) 'Street homelessness', in Fitzpatrick, S., Quilgars D. & Pleace, N. (eds.) (2009) *Homelessness in the UK: Problems and Solutions*. Coventry: CIH.

59 Mayor of London (2009) *Ending Rough Sleeping – the London Delivery Board*. London: Greater London Authority. <http://www.london.gov.uk/archive/mayor/publications/2009/docs/ending-rough-sleeping.pdf>

60 Yanetta, A., Third, H. & Anderson, I. (1999) *National Evaluation of the Rough Sleepers Initiative in Scotland*. Edinburgh: Scottish Executive.

there was a pre-devolution commitment by the then Labour administration in Scotland to 'end the need to sleep rough' by 2003 (this commitment was formalised in 1999),<sup>61</sup> with an independent evaluation concluding that, though this 2003 target had been narrowly missed,<sup>62</sup> the Scottish RSI programme had produced tangible benefits for those at risk of sleeping rough across the country.<sup>63</sup>

In Wales, however, while there are local projects to assist rough sleepers (including 'rough sleepers intervention teams' in Cardiff, Newport, Bridgend and Swansea), there has been no equivalent to the English and Scottish RSIs at national level; a matter of concern for some of our interviewees. Nor are there regular street counts of rough sleepers in Wales, as happens in England, or monitoring of rough sleeping via the official statutory homelessness returns made by local authorities, as there is in Scotland. There have, however, been occasional rough sleeping surveys in Wales, as is reported on in Chapter 5.

### Single homelessness

A Crisis-sponsored review of single homelessness across the UK as a whole, conducted by the University of York in 2010, demonstrated that there have been long-term improvements in service responses,<sup>64</sup> with a shift over the past few decades from merely 'warehousing' single homeless people in hostels and night shelters, towards an emphasis on 'resettling' them in the

community.<sup>65</sup> The 'resettlement services' that have developed over recent years have attempted not only to address tenancy sustainment issues amongst this vulnerable group, but also broader aspects of their 'social inclusion', such as re-integrating them with social networks and engaging them in 'purposeful activity'.<sup>66</sup> These improvements have, in broad terms, been as true in Wales as elsewhere in the UK.

The introduction of the 'Supporting People' (SP) funding stream, in April 2003, was central to this expansion of homelessness resettlement and prevention services across the UK, including in Wales. These SP funds enabled 'housing-related' support to be provided for a range of vulnerable groups, with homeless people and those at risk of homelessness key amongst them. However, the 'ring-fenced' status of SP funding has since been removed in both England and Scotland, prompting concerns that services for some SP client groups, including homeless people, might lose out disproportionately.<sup>67</sup> In Wales, the ring-fence remains, but arrangements for the distribution of SP funds are complex and remain controversial, as discussed in Chapter 4.

In England, the quality of hostels, day centres and other frontline services has improved considerably in recent years as a result of the 'Hostels Capital Improvement Programme',<sup>68</sup> and the Scottish Government-backed Glasgow Hostel Closure Programme enabled

61 Scottish Executive (1999) *Social Justice... a Scotland Where Everyone Matters*. Edinburgh: Scottish Executive. <http://scotland.gov.uk/Resource/Doc/158142/0042789.pdf>

62 Laird, A., Mulholland, S., & Campbell-Jack, D. (2004) *Rough Sleepers Initiative: Monitoring the Target of Ending the Need to Sleep Rough by 2003: Third Report Covering the Period from 2001-2003*. Edinburgh: George Street Research. <http://www.scotland.gov.uk/Resource/Doc/47060/0028719.pdf>

63 Fitzpatrick, S., Pleace, N. & Bevan, M. (2005) *Final Evaluation of the Rough Sleepers Initiative*. Edinburgh: Scottish Executive. <http://www.scotland.gov.uk/Resource/Doc/37428/0009584.pdf>

64 Jones, A. & Pleace, N. (2010) *A Review of Single Homelessness in the UK 2000-2010*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/ReviewOfSingleHomelessness\\_Final.pdf](http://www.crisis.org.uk/data/files/publications/ReviewOfSingleHomelessness_Final.pdf)

65 Pleace, N. & Quilgars, D. (2003) 'Led rather than leading? Research on homelessness in Britain' *Journal of Community and Applied Social Psychology*, 13: 187-196.

66 Fitzpatrick, S., Quilgars D. & Pleace, N. (eds.) (2009) *Homelessness in the UK: Problems and Solutions*. Coventry: CIH.

67 Homeless Link (2011) 'Cuts Making it Harder for Homeless People to Get Help', *Homeless Link Press Release*, 30th June: <http://www.homeless.org.uk/news/cuts-making-it-harder-homeless-people-get-help>

68 Communities and Local Government (2006) *Places of Change: Tackling Homelessness through the Hostels Capital Improvement Programme*. London: CLG.

the (successful) re-provisioning of some of the city's worst hostels.<sup>69</sup> There have been no equivalent nationally-funded programmes to improve hostel and day centre provision in Wales; a point noted by several of our interviewees. That said, there has been significant investment in single homelessness services in some parts of Wales, notably Cardiff, where there is said to have been a marked improvement in at least some hostels and other relevant services.

Data on trends in the scale of single homelessness is as difficult to come by in Wales as elsewhere in the UK,<sup>70</sup> but such data and estimates as there are reviewed in Chapter 5. However, single people are included in the statutory homelessness system and statistics in Wales to a greater extent than in England, because of differences in the priority need criteria, as now discussed.

### Statutory homelessness

While rough sleeping and single homeless people staying in various forms of temporary accommodation are recognisable across the developed world,<sup>71</sup> core to any understanding of homelessness in the UK is our unique 'statutory homelessness system'. This legislative framework, first established by the Housing (Homeless Persons) Act 1977, provided, in brief, that LAs must ensure that accommodation is made available to certain categories of homeless people. The original Act covered all of Great Britain, but was subsequently incorporated into separate legislation for different parts of the UK. The relevant legislation for Wales is currently contained in the Housing Act 1996, as amended by the Homelessness Act 2002 and associated secondary legislation.

Under this statutory framework,<sup>72</sup> if a LA has 'reason to believe' that a household may be homeless or threatened with homelessness they have a duty to make inquiries to establish whether they owe them a statutory duty. These inquiries concern the following key concepts:

- *Eligibility* – many 'persons from abroad' are 'ineligible' for assistance under the homelessness legislation.
- *Homelessness* – persons without any accommodation in the UK which they have a legal right to occupy, together with their whole household, are legally 'homeless'. Those who cannot gain access to their accommodation, or cannot reasonably be expected to live in it (for example because of a risk of violence/abuse), are also homeless.
- *Priority need* – the original priority need groups were: households which contain dependent children, a pregnant woman, or someone who is 'vulnerable' because of old age, mental illness, disability, or for 'some other reason'; and those who have lost accommodation as a result of an emergency, such as fire or flood. There have been amendments and additions to these priority need categories over the years in all parts of the UK, not least in Wales, as discussed below.
- *Intentional homelessness* – this refers to deliberate acts or omissions that cause a person to lose their accommodation (e.g. running up rent arrears, anti-social behaviour, giving up accommodation that was reasonable to occupy, etc.).

69 Fitzpatrick, S., Bretherton, J., Jones, A., Pleace, N. & Quilgars, D. (2010) *The Glasgow Hostel Closure and Re-provisioning Programme: Final Report on the Findings of a Longitudinal Evaluation*. York: Centre for Housing Policy, University of York. <https://www.york.ac.uk/media/chp/documents/2009/The%20Glasgow%20Hostel%20Closure.pdf>

70 Jones, A. & Pleace, N. (2010) *A Review of Single Homelessness in the UK 2000-2010*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/ReviewOfSingleHomelessness\\_Final.pdf](http://www.crisis.org.uk/data/files/publications/ReviewOfSingleHomelessness_Final.pdf)

71 Fitzpatrick, S. & Stephens, M. (2007) *An International Review of Homelessness and Social Housing Policy*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2007/intreviewhomelessness.pdf>

72 For a fuller summary, see Chapter 1 in Fitzpatrick, S., Quilgars D. & Pleace, N. (eds.) (2009) *Homelessness in the UK: Problems and Solution*. Coventry: CIH.

- *Local connection* – for the purposes of the homelessness legislation, households can have a local connection with a particular LA because of residence, employment or family associations, or because of special circumstances.

If a household is eligible, in priority need and unintentionally homeless, then they are owed the ‘main homelessness duty’. In Wales, as in England, strictly speaking the main homelessness duty of LAs is to provide temporary accommodation until ‘settled’ housing becomes available, found either by the household itself or by the LA. However, in practice this settled housing is almost always secured by the LA that owes a duty under the homelessness legislation and, at present, in the great majority of cases the duty is discharged via the offer of a social rented tenancy. If a household owed the main homelessness duty has no local connection with the authority to which they have applied, the duty to secure settled accommodation for them can be transferred to another UK authority with which they do have such a connection (except if they run the risk of violence or abuse in that other area).

The details of the homelessness legislation have evolved since its introduction in each of the UK nations. In Wales, most notably, and most controversially, the priority need groups have been expanded to award ‘automatic’ priority status (i.e. without having to demonstrate vulnerability) to persons leaving prison.<sup>73</sup> This is the main reason that single person households constitute a far higher proportion of all households accepted as

owed the main statutory duty in Wales (around half) than in England (around one quarter), though this is still somewhat lower than the proportion in Scotland (almost two-thirds).

As elsewhere in the UK, there has been significant strengthening of the safety net for young people in Wales in recent years,<sup>74</sup> in particular with the extension of automatic priority need to all 16 and 17 year olds and to care leavers and young people at risk aged 18-20.<sup>75</sup> Also crucial in Wales, as well as in England, was the ‘Southwark’ ruling in May 2009,<sup>76</sup> in which the House of Lords decided that homeless 16 and 17 year olds should be considered ‘children in need’ under the Children Act 1989, and should therefore have a full social services assessment of their support needs. This ruling also made clear that young people should only be placed in specialist emergency accommodation designed specifically for their age group. However, as in England, Welsh youth homelessness providers report that the extent to which Children’s Services departments actually act on the Southwark judgement is somewhat variable.

Another key commonality across Wales and England has been a growing emphasis on homelessness prevention over the past decade or so (albeit that it seems fair to say that this agenda was pushed more strongly in the latter). As discussed in detail in Chapter 5, statutory homelessness in Wales fell sharply from the mid to late 2000s, coinciding with the active promotion and funding of homelessness prevention by the Welsh Government<sup>77</sup> in a policy that paralleled

<sup>73</sup> The Homeless Persons (Priority Need) (Wales) Order 2001. No 607 (W.30). <http://www.legislation.gov.uk/wsi/2001/607/contents/made>

<sup>74</sup> Quilgars, D., Johnsen, S. & Pleace, N. (2008) *Youth Homelessness in the UK: A Decade of Progress?*, York: JRF. <http://www.jrf.org.uk/sites/files/jrf/2220-homelessness-young-people.pdf>

<sup>75</sup> The Homeless Persons (Priority Need) (Wales) Order 2001. No 607 (W.30). <http://www.legislation.gov.uk/wsi/2001/607/contents/made>

<sup>76</sup> R (on the application of G) (FC) v London Borough of Southwark [2009] UKHL 26, <http://www.publications.parliament.uk/pa/ld200809/ldjudgmt/jd090520/appg-1.htm>

<sup>77</sup> Welsh Assembly Government (2004) *The Prevention of Homelessness: Advice Note*. Cardiff: Welsh Assembly Government <http://wales.gov.uk/desh/publications/housing/preventhomeless/guidee?lang=en>; Welsh Government (2011) *Evaluation of One Year Homelessness Prevention Projects*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120618homelessprojectsfinalreporten.pdf>

similar (but more pronounced) developments in England.<sup>78</sup> In both cases, these prevention activities were predicated on a 'housing options' framework whereby households approaching a LA for assistance with housing were given a formal interview offering advice on all of the various means by which their housing problems could be resolved, rather than simply having their statutory entitlements considered. While this housing options model attracted considerable controversy,<sup>79</sup> research has indicated that at least some of the decline in statutory homelessness resulted from constructive homelessness prevention, rather than being entirely attributable to increased LA 'gatekeeping'.<sup>80</sup> While, again as in England, homelessness applications have trended upwards in Wales since around 2010 (see Chapter 5), this seems likely to be associated with an underlying increase in housing stress, rather than reflecting any diminution in prevention activity.

To date, the post-devolution period has been marked by growing divergence in statutory homelessness frameworks between England and Wales on the one hand, and Scotland on the other.<sup>81</sup> Under the Homelessness Etc. (Scotland) Act 2003, Scotland significantly strengthened its statutory safety net for homeless people. The phased abolition of

the 'priority need' test means that, from the end of 2012, virtually all homeless people in Scotland are entitled to settled housing.<sup>82</sup> However, with increasing pressure on both temporary accommodation and permanent social housing lettings, the Scottish Government has recently started promoting stronger prevention measures, along the lines of the English and Welsh 'housing options' model<sup>83</sup> in an effort to reduce 'statutory demand' and assist with meeting the demands of the 2012 commitment.<sup>84</sup> Thus Scotland seems to be moving towards a model that combines a broad and inclusive statutory safety net with a strong emphasis on prevention,<sup>85</sup> and as in England and Wales, concerns about 'gatekeeping' have accompanied this latter development.<sup>86</sup>

From a very different starting point, recent developments in Wales appear to mark the commencement of a similarly significant departure from England. In 2011, the Welsh Government commissioned the 'Mackie' review of the homelessness legislation,<sup>87</sup> which proposed a 'Housing Solutions' model of change that would see the primary focus of LA duties in Wales switch to preventative interventions which would precede the assessment of entitlements under the existing statutory homelessness system. The Mackie team's main recommendations

78 DCLG (2006) *Homelessness Prevention: A Guide to Good Practice*. London: DCLG.

79 Pawson, H. (2007) 'Local authority homelessness prevention in England: Empowering consumers or denying rights?', *Housing Studies*, 22(6): 867-884.

80 Pawson, H., Netto, G., Jones, C., Wager, F., Fancy, C. & Lomax, D (2007) *Evaluating Homelessness Prevention*. London: CLG.

81 Pawson, H. & Davidson, E. (2008) 'Radically divergent? Homelessness policy and practice in post-devolution Scotland', *European Journal of Housing Policy*, 8(1): 39-60.

82 Anderson, I. (2009) 'Homelessness policy in Scotland: A complete state safety net by 2012?', in Fitzpatrick, S., Quilgars D. & Pleace, N. (eds.) *Homelessness in the UK: Problems and Solutions*. Coventry: CIH. The 2003 Act also made provision to significantly soften Scotland's 'intentional homelessness' provisions, and made allowance for Ministers to suspend the 'local connection' referral rules, but neither of these amendments has yet been brought into force and there is currently no indication that they will be.

83 Ipsos MORI & Mandy Littlewood Social Research and Consulting (2012) *Evaluation of the Local Authority Housing Hubs Approach*. Edinburgh: Scottish Government <http://www.scotland.gov.uk/Resource/0039/00394152.pdf>

84 Shelter Scotland (2011) *A Shelter Scotland Report: Housing Options in Scotland*. Edinburgh: Shelter Scotland. [http://scotland.shelter.org.uk/\\_data/assets/pdf\\_file/0010/366607/Shelter\\_Scotland\\_Housing\\_Options\\_Paper\\_FINAL\\_July\\_2011.pdf](http://scotland.shelter.org.uk/_data/assets/pdf_file/0010/366607/Shelter_Scotland_Housing_Options_Paper_FINAL_July_2011.pdf)

85 As was recommended by Wilcox, S. & Fitzpatrick, S. with Stephens, M., Pleace, N., Wallace, A. & Rhodes, D. (2010) *The Impact of Devolution: Housing and Homelessness*. York: JRF. <http://www.jrf.org.uk/sites/files/jrf/impact-of-devolution-long-term-care-housing.pdf>

86 Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

87 Mackie, P., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Options for an Improved Homelessness Legislative Framework in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131improvehomelessframeen.pdf>; Mackie, P., Thomas, I., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Assessing the Impacts of Proposed Changes to Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120901housingimpacten.pdf>; Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysishomelesslegen.pdf>

were almost all incorporated into the Welsh White paper,<sup>88</sup> alongside a commitment to remove the ‘intentionality’ test for families with children by 2019. These proposals seem highly likely to be included in the Welsh Housing Bill which is, as noted above, scheduled for introduction to the National Assembly for Wales in Autumn 2013, albeit that there have been some suggestions recently that cost and political considerations may lead to some ‘watering down’ of the new homelessness legislation.<sup>89</sup> Nonetheless, it seems likely that the outcome in Wales will be at least some broadening of the scope of statutory duties towards homeless people, alongside a shift towards a more preventative emphasis within these duties. These policy developments, and stakeholder reactions to them, are discussed in detail in Chapter 4.

### Hidden homelessness

Finally, there is the issue of ‘hidden’ homelessness, which has been a longstanding concern of many homelessness agencies and the subject of various reports by Crisis.<sup>90</sup> The term ‘hidden homelessness’ remains controversial, but broadly speaking refers to those people who may be considered ‘homeless’ but whose situation is not ‘visible’ either on the streets or in official statistics on households seeking housing assistance. Classic examples would include households living in severely overcrowded conditions, squatters, people ‘sofa-surfing’ around friends’ or relatives’ houses, those involuntarily sharing with other households on a long-term basis, and people sleeping rough in hidden locations.

By its very nature, it is difficult to assess the scale and trends in hidden homelessness, particularly amongst single homeless people (though see the useful analysis in a key Crisis report),<sup>91</sup> but some particular elements of potential hidden homelessness are amenable to statistical analysis, including with respect to trends over time, and it is these elements of hidden homelessness that are focused upon in this report. This includes overcrowded households, and also ‘concealed’ households and ‘sharing’ households, all of which are concepts recognised in a number of official surveys, albeit that sources for Wales are somewhat more limited than is the case for England and Scotland. This evidence, reviewed in detail in Chapter 5, indicates a rather more mixed picture on hidden homelessness in Wales than in England, where there appears to be a stronger upward trend across most forms of hidden homelessness, associated with acute housing and demographic pressures.

### 2.3 The international context<sup>92</sup>

As captured in an international review of homelessness law and policy conducted to support the Mackie review,<sup>93</sup> the key distinguishing feature of homelessness policy in Wales (and the wider UK) is the emphasis on ‘enforceable’ legal rights – i.e. rights which courts of law will enforce on behalf of individuals – as a mechanism of ‘empowering’ homeless households and ensuring that their long-term housing needs are met.<sup>94</sup> Internationally, the UK approach is highly unusual in this respect, with only

<sup>88</sup> Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

<sup>89</sup> Henry, G. (2013) ‘New homelessness law could fall victim to cost and ‘homeless tourism’ concerns, fears expert’, *WalesOnline*, 11th February: <http://www.walesonline.co.uk/news/welsh-politics/welsh-politics-news/2013/02/11/new-homelessness-law-could-fall-victim-to-cost-and-homeless-tourism-concerns-fears-expert-91466-32782717/>

<sup>90</sup> Reeve, K. & Batty, E. (2010) *The Hidden Truth about Homelessness: Experiences of Single Homelessness in England*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HiddenTruthAboutHomelessness\\_web.pdf](http://www.crisis.org.uk/data/files/publications/HiddenTruthAboutHomelessness_web.pdf)

<sup>91</sup> Ibid.

<sup>92</sup> A fuller account of this international context is given in the 2011 Homelessness Monitor.

<sup>93</sup> Fitzpatrick, S., Johnsen, S. & Watts, B. (2012) *International Homelessness Policy Review: A report to Inform the Review of Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131interhomelesspolicyreviewen.pdf>

<sup>94</sup> Fitzpatrick, S. & Stephens, M. (2007) *An International Review of Homelessness and Social Housing Policy*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2007/intreviewhomelessness.pdf>

France offering anything remotely similar.<sup>95</sup> While a constitutional 'right to housing' exists in many other European countries, there are seldom any legal mechanisms enabling homeless individuals to enforce such rights. International reviews suggest that, though the UK statutory homelessness system has its drawbacks, in that it can encourage an adversarial, process-driven approach on the part of both LAs and advocacy agencies,<sup>96</sup> it also has a number of important benefits,<sup>97</sup> not least making it far more difficult for social landlords to exclude the poorest and most vulnerable households from the mainstream social rented sector as happens in a number of other European countries.<sup>98</sup>

There are enforceable rights to emergency accommodation in a number of European countries, such as Germany and Sweden, and this is also the case in New York City in the US.<sup>99</sup> However, in all of these cases, the entitlement falls far short of the right to temporary accommodation until settled accommodation becomes available that applies in Wales (and the wider UK) for those owed the main homelessness duty, and in most relevant jurisdictions these emergency accommodation duties only apply to roofless households with literally nowhere else to go. On the other hand, it is worth noting that there are no legal rights to emergency accommodation for roofless people in Wales or elsewhere in the UK (aside from Scotland) unless they are in a 'priority need group'. In this sense the current *legal* safety net for

rough sleepers in the UK (except Scotland) is weaker than in these countries<sup>100</sup> (though the statutory guidance in Wales does state that a rough sleeper should be considered as vulnerable 'other').

Notwithstanding the lack of legally enforceable rights to settled housing, in most European and other developed countries there is some sort of state-funded assistance to homeless people.<sup>101</sup> These programmes are often organised in a broadly similar way to that in Wales and elsewhere in the UK: central government establishes a national strategic and/or legal framework, and provides financial subsidies for homelessness services; LAs are the key strategic players and 'enablers' of homelessness services; and direct provision is often undertaken by voluntary organisations.

As in the UK, most north-western European countries offer 're-integrative' services of various kinds as well as emergency provision, and have at least some focus on homelessness prevention, most notably in Germany<sup>102</sup> and Finland<sup>103</sup> where prevention efforts (particularly eviction prevention) have been extremely effective with regard to family homelessness. In Australia and the US, there are relatively extensive targeted homelessness programmes, but in the latter case in particular this is compensating for a very weak mainstream welfare safety net. Another historic weakness in the US has been a lack of emphasis on homelessness

95 Loison-Leruste, M. & Quilgars, D. (2009) 'Increasing Access to Housing – Implementing the Right to Housing in England and France', *European Journal of Homelessness*, 3: 75-100.

96 O'Sullivan, E. (2008) 'Sustainable Solutions to Homelessness: The Irish Case', *European Journal of Homelessness*, 2: 205-234.

97 Fitzpatrick, S. & Watts, B. (2011) 'The 'Right to Housing' for Homeless People', in E. O'Sullivan (eds), *Homelessness Research in Europe*. Brussels: FEANTSA.

98 Stephens, M., Burns, N. & MacKay, L. (2002) *Social Market or Safety Net? British Social Rented Housing in a European Context*. Bristol: Policy Press.

99 Fitzpatrick, S. & Stephens, M. (2007) *An International Review of Homelessness and Social Housing Policy*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2007/interviewhomelessness.pdf>

100 Though the statutory guidance in Wales does state that a rough sleeper should be considered as vulnerable 'other'.

101 Fitzpatrick, S. & Stephens, M. (2007) *An International Review of Homelessness and Social Housing Policy*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2007/interviewhomelessness.pdf>

102 Busch-Geertsema, V. & Fitzpatrick, S. (2008) 'Effective Homelessness Prevention? Explaining Reductions in Homelessness in Germany and England', *European Journal of Homelessness*, 2: 69-95.

103 Fitzpatrick, S., Johnsen, S. & Watts, B. (2012) *International Homelessness Policy Review: A Report to Inform the Review of Homelessness Legislation in Wales*. Cardiff: Cardiff University. <http://wales.gov.uk/docs/desh/publications/120131interhomelesspolicyreviewen.pdf>

prevention, though that is beginning to change.<sup>104</sup>

One important point noted in the international policy review conducted by the Mackie team, is that (credible) substantial declines in homelessness tend to be associated with carefully-targeted and well-resourced policy measures, whose implementation has been effectively monitored.<sup>105</sup> This certainly seems the case with respect to the dramatic falls in family homelessness achieved in Germany and Finland in recent years,<sup>106</sup> as well as with regard to the considerable success in reducing 'chronic homelessness' reported in the US.<sup>107</sup> This point has particular resonance in Wales where there is a history of patchy or otherwise poor data and monitoring on homelessness (see Chapters 4 and 5).

## 2.4 Homelessness causation

Explanations of homelessness in the UK and in other developed countries have traditionally fallen into two broad categories: *individual* and *structural*.<sup>108</sup> Broadly speaking, individual explanations focus on the personal characteristics, behaviour and needs of homeless people. Structural explanations, on the other hand, locate the causes of homelessness in external social and economic factors, such as housing market conditions, poverty and unemployment. An 'individualistic' focus on the ill health, substance dependencies and dysfunctional families of homeless people began to subside in the 1960s as pressure groups and academics increasingly argued that

homelessness was the result of housing market failures. While structural, housing market-based accounts of homelessness then dominated until the 1980s, their credibility declined as research repeatedly identified high levels of health and social support needs amongst single homeless people, particularly those sleeping rough.<sup>109</sup> As a result, researchers again began to incorporate individual factors in their explanations of homelessness, while at the same time continuing to assert the overall primacy of structural factors. This led them to the following set of assertions which became the orthodox account of homelessness causation:<sup>110</sup>

- (a) Structural variables such as housing shortages, poverty and unemployment create the conditions within which homelessness will occur and determine its overall extent; *but*
- (b) People with personal problems are more vulnerable to these adverse social and economic conditions than other people; *therefore*
- (c) The high concentration of people with support needs in the homeless population can be explained by their susceptibility to structural forces, rather than necessitating an individualistic explanation of homelessness.

This 'new orthodoxy' provided a more 'practically adequate' explanation of homelessness than prior analyses, but was

<sup>104</sup> Culhane, D.P., Metraux, S. & Byrne, T. (2011) 'A prevention-centred approach to homelessness assistance: a paradigm shift?', *Housing Policy Debate*, 21(2): 295-315.

<sup>105</sup> Busch-Geertsema, V. & Fitzpatrick, S. (2008) 'Effective Homelessness Prevention? Explaining Reductions in Homelessness in Germany and England', *European Journal of Homelessness*, 2: 69-95.

<sup>106</sup> Fitzpatrick, S., Johnsen, S. & Watts, B. (2012) *International Homelessness Policy Review: A Report to Inform the Review of Homelessness Legislation in Wales*. Cardiff: Cardiff University. <http://wales.gov.uk/docs/desh/publications/120131interhomelesspolicyreviewen.pdf>

<sup>107</sup> Byrne, T. & Culhane, D.P. (2011) 'The Right to Housing: an effective means for addressing homelessness?' *University of Pennsylvania Journal of Law and Social Change*, 14 (3): 379-3.

<sup>108</sup> Neale, J. (1997) 'Theorising homelessness: contemporary sociological and feminist perspectives', in Burrows, R., Pleace, N. & Quilgars, D. (eds.) *Homelessness and Social Policy*. London: Routledge.

<sup>109</sup> Fitzpatrick, S., Kemp, P. A. & Klinker, S. (2000) *Single Homelessness: An Overview of Research in Britain*. Bristol: The Policy Press.

<sup>110</sup> Pleace, N. (2000) 'The new consensus, the old consensus and the provision of services for people sleeping rough', *Housing Studies*, 15 (4): 581-594.

unsatisfying for several reasons. For example, there are many factors which could be interpreted as operating at either a structural or individual level. Should, for example, the breakdown in a homeless person's marriage be considered an individual problem or the result of a structural trend towards growing family fragmentation? How can the new orthodoxy account for homelessness arising from acute personal crises where structural factors can seem virtually absent, as has been demonstrated to often be the case with older homeless people?<sup>111</sup>

Perhaps most fundamentally, these orthodox accounts of homelessness tend to imply a rather simplistic 'positivist' notion of social causation:

*"Housing shortages, poverty, unemployment, personal difficulties such as mental health, drug or alcohol problems are sometimes said to be the causes of rough sleeping. However, there are continuing problems of rough sleeping in areas with no housing shortage. Equally, the great majority of people in poverty or with mental health, or substance abuse problems, do not sleep rough. ... It follows that housing shortages, poverty, mental health and substance misuse problems cannot be said to cause rough sleeping."* (p. 5)<sup>112</sup>

There is an assumption here that for something to constitute a 'cause' of homelessness it must be both 'necessary' (i.e. homelessness cannot occur unless it is present) and 'sufficient' (i.e. it inevitably leads to homelessness). But such 100% correlations are rarely found in the social world, and certainly not with respect to complex phenomena like homelessness.

The 'critical realist' account of homelessness employed in this report overcomes these limitations by employing a more sophisticated theory of social causation.<sup>113</sup> First, according to the realist perspective, social causation is *contingent*: given the open nature of social systems, something may have a 'tendency' to cause homelessness without 'actually' causing it on every occasion, because other (contextual) factors may often – or even always – intervene to prevent correspondence between cause and effect. These 'buffer' factors may include, for example, targeted prevention policies (see above) or protective social relationships (see below). Second, realist explanations are *complex*, taking into account multiple (often inter-related) causal mechanisms, and also allowing for the possibility of a range of quite separate causal routes into the same experience.

Another central tenet of realist theories of causation is that causal mechanisms operate across a wide range of societal 'strata', with no one strata assumed to be logically prior to any other.<sup>114</sup> This is a crucial point with respect to the causation of homelessness wherein the orthodox position seems to be that 'structural' or 'economic' causes are somehow more fundamental than more 'personal' or 'social' factors. In contrast, a realist theoretical framework allows for the possibility that the balance of underlying causal factors may vary between different homeless groups. For example, there can be little doubt that high levels of youth unemployment and social security cuts played a major role in driving up the numbers of homeless young people in the late 1980s,<sup>115</sup> whereas for older people it is plausible that personal crises such as bereavement may be far more important

<sup>111</sup> Crane, M., Byrne, K., Fu, R., Bryan Lipmann, B., Mirabelli, F., Rota-Bartelink, A., Ryan, M., Shea, R., Watt, H. & Warnes, A.M. (2005) 'The causes of homelessness in later life: findings from a 3-Nation study', *Journal of Gerontology*, 60B (3): 152-159.

<sup>112</sup> Randall, G. & Brown, S. (1999) *Prevention is Better Than Cure*. London: Crisis.

<sup>113</sup> Fitzpatrick, S. (2005) 'Explaining homelessness: a critical realist perspective', *Housing, Theory & Society*, 22 (1):1-17.

<sup>114</sup> *Ibid.*

<sup>115</sup> Fitzpatrick, S. (2000) *Young Homeless People*. Basingstoke: Macmillan.

than any aspect of the structural context.<sup>116</sup> Likewise, research on statutorily homeless families in England has suggested that this form of homelessness is far less strongly associated with individual support needs than appears to be the case with rough sleeping or single homelessness.<sup>117</sup>

It may also mean that the balance between structural and individual factors varies between countries. It seems likely, for example, that countries with benign social and economic conditions – well functioning housing and labour markets and generous social security policies – will have a low overall prevalence of homelessness, but that a high proportion of their (relatively) small homeless populations will have complex personal problems.<sup>118</sup> The reverse has been posited to hold true (high prevalence/low proportion with support needs) in countries with a more difficult structural context. While the available evidence is far from definitive, it does tend to support this analysis, with Sweden and the Netherlands at one end of the spectrum (countries with strong welfare states) and the US at the other (with a very weak welfare safety net).<sup>119</sup>

Research funded by the European Commission (EC) supports the argument that ‘welfare regimes’ impact profoundly on the causes and nature of homelessness.<sup>120</sup> However, the relationship between homelessness and labour market change is complex, and seems direct only in those countries (such as in eastern and southern Europe) and amongst those groups (such as recent migrants) which have the least welfare protection. Even in these cases, it

is usually long-term worklessness or labour market marginality which is important rather than sudden labour market ‘shocks’, such as redundancy. The authors comment:

*“In those countries, and for those groups, with better welfare protection, it seems that sustained poverty and/or unemployment contribute to homelessness not so much in direct, material ways, but rather in longer-term, more indirect ways via exerting negative social pressures on family units.”*  
(p. 266)

This suggests that, insofar as there is an impact of rising unemployment on homelessness, this will most likely be a ‘lagged’ effect of the recession, and also rather a diffuse one, mediated by many intervening variables (see Chapter 3). However, this is highly dependent on the strength or otherwise of welfare protection, as social security systems, and especially housing allowances, are what usually ‘break the link’ between losing a job or persistent low income and homelessness.<sup>121</sup> This means that significant reform of welfare provisions – such as that being implemented by the UK Coalition Government and discussed in detail in Chapter 4 – are likely to be highly relevant to homelessness trends.

The same European comparative research suggests that housing market conditions can have a more direct effect on homelessness than labour market conditions, and this effect can be to some extent independent of welfare arrangements.<sup>122</sup> In Germany, for example, a slackening housing market in many parts of

**116** Crane, M., Byrne, K., Fu, R., Bryan Lipmann, B., Mirabelli, F., Rota-Bartelink, A., Ryan, M., Shea, R., Watt, H. & Warnes, A.M. (2005) ‘The causes of homelessness in later life: findings from a 3-Nation study’, *Journal of Gerontology*, 60B (3): 152-159.

**117** Pleace, N., Fitzpatrick, S., Johnsen, S., Quilgars, D. & Sanderson, D. (2008) *Statutory Homelessness in England: The Experience of Families and 16-17 Year Olds*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2008/Family%20Homelessness%20final%20report.pdf>

**118** Shinn, M. (2007) ‘International homelessness: policy, socio-cultural, and individual perspectives’, *Journal of Social Issues*, 63(3): 657-677.

**119** Fitzpatrick, S. (2012) ‘Homelessness’, in Clapham, D. & Gibb, K. (eds.), *Handbook of Housing Studies*. London: Sage.

**120** Stephens, M., Fitzpatrick, S., Elsinga, M., Steen, G.V. & Chzhen, Y. (2010) *Study on Housing Exclusion: Welfare Policies, Labour Market and Housing Provision*. Brussels: European Commission. [http://www.sbe.hw.ac.uk/documents/Fitzpatrick\\_et\\_al\\_2010\\_Study\\_on\\_Housing\\_Exclusion\\_Welfare\\_policies\\_Labour\\_Market\\_and\\_Housing\\_Provision.pdf](http://www.sbe.hw.ac.uk/documents/Fitzpatrick_et_al_2010_Study_on_Housing_Exclusion_Welfare_policies_Labour_Market_and_Housing_Provision.pdf)

**121** Ibid.

**122** Ibid.

the country has driven down homelessness, even in the context of rising unemployment and increased welfare conditionality.<sup>123</sup> Likewise in England, academic analysis has indicated that statutory homelessness has been closely tied to the housing market cycle until more pro-active homelessness prevention over the past decade disrupted this link.<sup>124</sup> As discussed in Chapter 3, in the last housing recession levels of statutory homelessness actually *decreased* in Wales, to an even greater extent than they did in England, partly because overall levels of housing affordability and access eased in the context of a sluggish housing market and this facilitated higher levels of available relets in the social and private rented sectors (PRS).<sup>125</sup>

Housing policies as well as housing markets matter to homelessness,<sup>126</sup> and it has been argued that housing can be considered, to at least some extent, ‘the saving grace’ in the British welfare state, as the UK does better by low income households on a range of housing indicators than it does on most poverty league tables.<sup>127</sup> Housing appears to be a comparative asset, which tends to moderate the impact of poverty on low-income households. It has been hypothesised that three key housing policy instruments explain these relatively good housing outcomes for poorer households in the UK: Housing Benefit (HB), which pays up to 100% of eligible rent for low-income households; a relatively large social housing sector,

allocated overwhelmingly according to need; and the statutory homelessness safety net.<sup>128</sup> Notably, all three aspects of this UK ‘housing settlement’ are now subject to potentially far-reaching change in England under the Coalition Government’s welfare reform and ‘localism’ agendas, which may undermine the protection they offer.<sup>129</sup> This is not the case in Wales with respect to the devolved areas of responsibility (the statutory homelessness system and social housing), but is equally true with respect to HB as this is part of the reserved social security function (see Chapter 4).

One final point to note is the causal inter-relationship between the structural factors just discussed and the more ‘individual’ causes of homelessness. Often, though not invariably, the individual vulnerabilities, support needs and ‘risk taking’ behaviours implicated in some people’s homelessness (particularly amongst those sleeping rough) are themselves rooted in the pressures associated with poverty and other forms of structural disadvantage.<sup>130</sup> Those with a higher level of resources – in terms of social, cultural, human and material capital – may be expected to have the resilience to manage life crises without falling into homelessness. In this context, strong social relationships are likely to be an especially important ‘buffer’ to homelessness,<sup>131</sup> and conversely the ‘exhaustion’ of family or other ‘anchor’ relationships (both sudden or gradual) is a

**123** Busch-Geertsema, V. & Fitzpatrick, S. (2008) ‘Effective Homelessness Prevention? Explaining Reductions in Homelessness in Germany and England’, *European Journal of Homelessness*, 2: 69-95.

**124** Fitzpatrick, S. & Pawson, H. (2007) ‘Welfare safety net or tenure of choice? The dilemma facing social housing policy in England’, *Housing Studies*, 22 (2): 163-182.

**125** Pawson, H. & Wilcox, S. (2011) *UK Housing Review 2010-11*. Coventry: CIH.

**126** Stephens, M., Fitzpatrick, S., Elsinga, M., Steen, G.V. & Chzhen, Y. (2010) *Study on Housing Exclusion: Welfare Policies, Labour Market and Housing Provision*. Brussels: European Commission. [http://www.sbe.hw.ac.uk/documents/Fitzpatrick\\_et\\_al\\_2010\\_Study\\_on\\_Housing\\_Exclusion\\_Welfare\\_policies\\_Labour\\_Market\\_and\\_Housing\\_Provision.pdf](http://www.sbe.hw.ac.uk/documents/Fitzpatrick_et_al_2010_Study_on_Housing_Exclusion_Welfare_policies_Labour_Market_and_Housing_Provision.pdf)

**127** Bradshaw, J., Chzhen, Y. & Stephens, M. (2008) ‘Housing: the saving grace in the British welfare state?’, in Fitzpatrick, S. & Stephens, M. (eds.) *The Future of Social Housing*. London: Shelter.

**128** Fitzpatrick, S. & Stephens, M. (eds.) (2008) *The Future of Social Housing*. London: Shelter.

**129** Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2011) *The Homelessness Monitor: Tracking the Impacts of Policy and Economic Change in England 2011-2013. Year 1: Establishing the Baseline*. London: Crisis. <http://www.crisis.org.uk/data/files/publications/TheHomelessnessMonitor.pdf>

**130** McNaughton, C. (2008) *Transitions through Homelessness: Lives on the Edge*. Basingstoke: Palgrave Macmillan.

**131** Lemos, G. (2000) *Homelessness and Loneliness: The Want of Conviviality*. London: Crisis; Lemos, G. & Durkacz, S. (2002) *Dreams Deferred: The Families and Friends of Homeless and Vulnerable People*. London: Lemos & Crane; and Tabner, K. (2010) *Beyond Homelessness: Developing Positive Social Networks*. Edinburgh: Rock Trust. <http://www.therocktrust.co.uk/wp-content/uploads/2012/08/REPORT-FINAL4.pdf>

widespread trigger to homelessness.<sup>132</sup> These relationships can be put under considerable strain by stressful economic conditions, as noted in the EC research above. Thus, deteriorating structural conditions could be expected to generate more individual and interpersonal vulnerabilities to homelessness over time, and are central to the anticipated lagged effects of unemployment and economic downturns (see Chapter 3).

## 2.5 Key points

- In the decade following devolution, the Welsh Government gave a relatively lower priority to housing and homelessness policy than did administrations in England and Scotland. However, with the publication of a recent White Paper on Housing for Wales, and the first ever Welsh Housing Bill expected to be introduced into the National Assembly for Wales in Autumn 2013, that is now changing.
- There has been no equivalent in Wales of the national-level RSIs established in England and Scotland, nor of the Hostels Capital Improvement Programme which has significantly improved the standard of hostels, day centres and other frontline provision in England. Nonetheless, local services for single homeless people and rough sleepers have substantially expanded in some parts of Wales in recent years – especially in Cardiff – most often via the deployment of SP funds.
- As in England, there has been a growing emphasis on prevention of (statutory) homelessness in Wales in recent years, and the Housing White Paper for Wales contains proposals to significantly reinforce the statutory basis of Welsh LAs' prevention activities, alongside a probable broadening in the scope of the groups to whom these statutory duties are owed.
- International, theoretical and historical perspectives all indicate that the causation of homelessness is complex, with no single 'trigger' that is either 'necessary' or 'sufficient' for it to occur. Individual, interpersonal and structural factors all play a role – and interact with each other – and the balance of causes differs over time, between countries, and varies between demographic groups.
- With respect to the main structural factors, evidence from a range of European countries suggests that housing market trends have the most direct impact on levels of homelessness, with the influence of labour market change more likely to be a lagged and diffuse effect, strongly mediated by welfare arrangements and other contextual factors.

<sup>132</sup> Stephens, M., Fitzpatrick, S., Elsinga, M., Steen, G.V. & Chzhen, Y. (2010) *Study on Housing Exclusion: Welfare Policies, Labour Market and Housing Provision*. Brussels: European Commission. [http://www.sbe.hw.ac.uk/documents/Fitzpatrick\\_et\\_al\\_2010\\_Study\\_on\\_Housing\\_Exclusion\\_Welfare\\_policies\\_Labour\\_Market\\_and\\_Housing\\_Provision.pdf](http://www.sbe.hw.ac.uk/documents/Fitzpatrick_et_al_2010_Study_on_Housing_Exclusion_Welfare_policies_Labour_Market_and_Housing_Provision.pdf)

### 3. Economic factors that may impact on homelessness in Wales

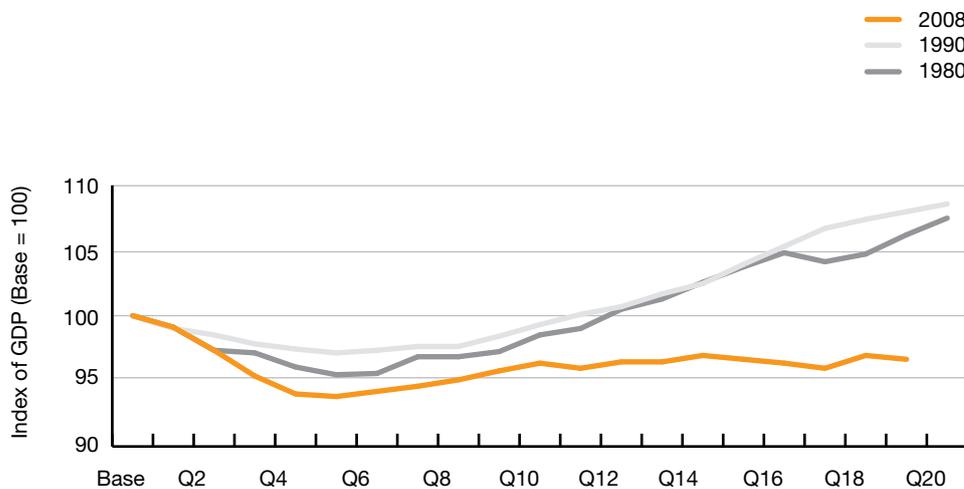
#### 3.1 Introduction

This chapter reviews the key economic developments in Wales, and across the UK, that may be expected to affect homeless groups and those vulnerable to homelessness. It identifies the impacts of the post-2007 economic and housing market recessions, and also considers the potential impact on homelessness of the current low levels of new house building, relative to projected levels of population and household growth. This analysis is informed by the causal framework set out in Chapter 2, and also by insights derived from our qualitative interviews with key informants from homelessness service providers across Wales. In Chapter 5 we assess whether the anticipated economic impacts identified in this chapter, and the potential policy impacts highlighted in the next chapter, are as yet evident in trends in national datasets.

#### 3.2 Post-2007 economic context

The post-credit-crunch downturn in the UK economy has been much deeper and more prolonged than other recent recessions (see Figure 3.1), and there are considerable doubts hanging over the prospects of economic recovery, not just in Wales and the UK, but also in Europe and the rest of the world. Following the 2010 election, the UK Coalition Government tilted the balance of fiscal policy towards faster cuts in public spending in order to contain levels of government borrowing and debt. While this initially helped the UK avoid concerns in international financial markets about its rising levels of government debt, the economic downside of the faster public spending cuts in the UK has been slower economic growth. Indeed, the slower than anticipated economic growth has had such a negative impact on the UK Government’s plans to contain debt levels that the UK has in any event seen some loss in levels of international financial market confidence.

Figure 3.1 Over two years of economic standstill extends the downturn



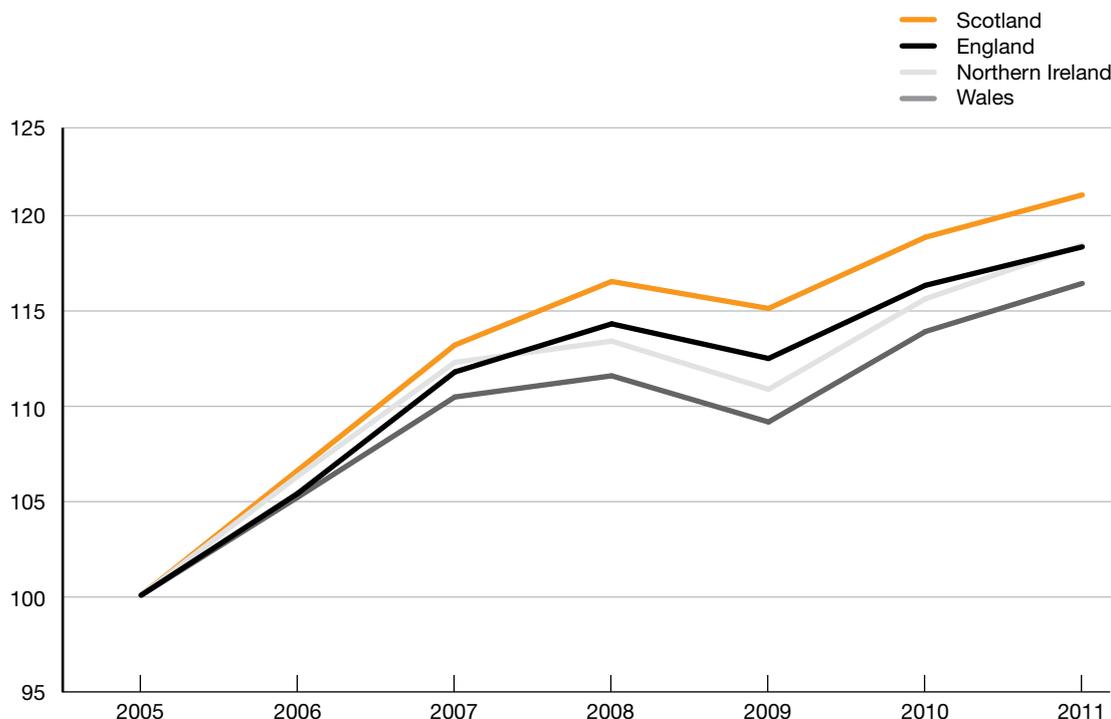
Source: Computed from ONS Quarterly GDP data (ABMI)

The latest forecast by the Office for Budget Responsibility (OBR) is for modest growth of 1.2% in 2013, rising to 2.0% in 2014.<sup>133</sup> However, even if those estimates do not prove to be overly optimistic, it will still be 2015 before the economy returns to 2007 levels.

Figures for the Welsh economy are currently only available up to 2011, and are for work place based gross value added (GVA), rather than the wider and more inclusive concept of gross domestic product (GDP). However, on that measure the figures show that over the six years to 2011 the Welsh economy has shown rather more sluggishness than the other countries within the UK (see Figure 3.2).

It must also be recognised that the cuts in public spending have only just begun to take effect, and the negative impact on economic growth and public sector employment has not yet been fully felt. OBR forecast UK unemployment to rise to 8.2% in 2013 and 2014 (on the ILO measure), before beginning to ease back over the next three years to just over 7%. This is still some way above the average (5.3%) over the decade before the credit-crunch, albeit that unemployment has not risen as much in this downturn as had been anticipated based on past experience. Nonetheless, the rising trend in unemployment has affected some groups disproportionately, most notably young people.

**Figure 3.2 National economic performance: Gross Value Added since 2005**



Source: Region and Country Profiles-Economy, ONS website

<sup>133</sup> Office for Budget Responsibility (2012) *Economic and fiscal outlook, December 2012*. London: The Stationery Office. <http://cdn.budgetresponsibility.independent.gov.uk/December-2012-Economic-and-fiscal-outlook23423423.pdf>

Between 2002 and late 2012, UK unemployment for those aged 18-24 nearly doubled, with the unemployment rate for that age group rising to 18%; compared to 8% for all those unemployed.<sup>134</sup> Rising unemployment as a result of public spending cuts is a particular concern in those parts of the UK most dependent on public sector jobs. Job losses in the retail sector are also significant in terms of numbers of relatively low paid and less skilled employment.

### 3.3 The Welsh economy

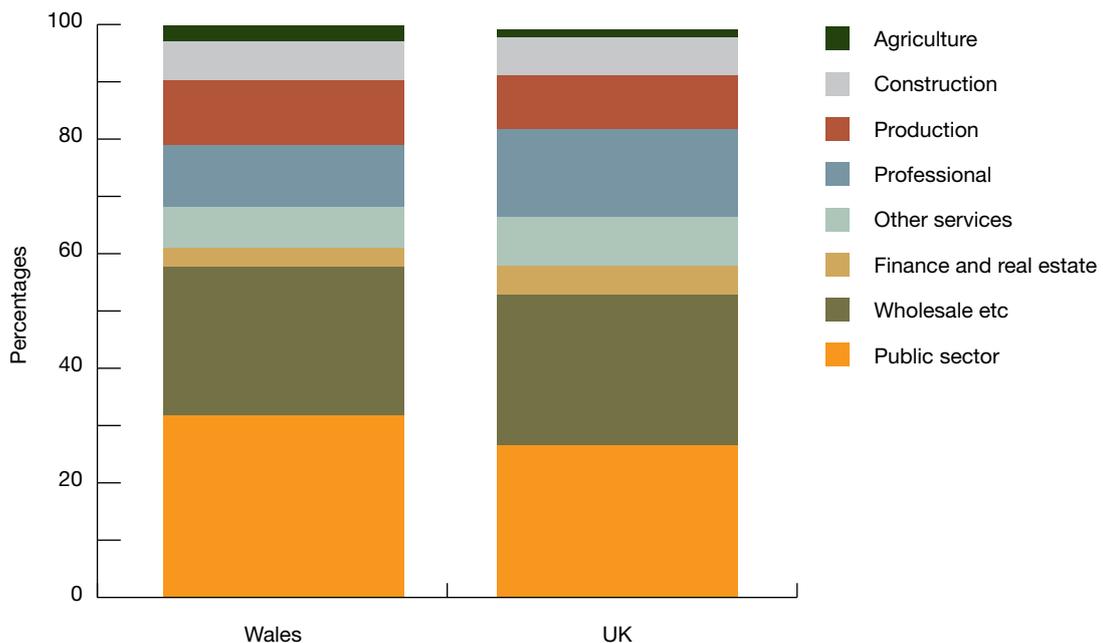
The impact of the post-credit-crunch downturn in Wales must clearly be set in the context of the specific characteristics of the Welsh economy and labour market. The most notable features of the Welsh economy, compared to the UK as a whole, are that it has a larger proportion of employment in public sector services and administration, and a lower proportion of employment in the

finance and business sectors. It also has a rather larger proportion of employment in the production, other industries and agricultural sectors, as shown in Figure 3.3.

One of the obvious consequences of that employment structure is that the Welsh economy will be disproportionately disadvantaged by the public expenditure cuts now in train. While the distribution of those cuts between services is subject to decisions by the Welsh Government, their overall expenditure plans and policies are fixed by the budgetary framework and financial settlements provided by the UK Westminster government.

The Welsh labour market is also characterised by slightly higher levels of economic inactivity and unemployment than the rest of the UK. In Autumn 2012 the unemployment rate in Wales was 7.9%, compared to 7.8% for the UK as a whole, while overall economic

Figure 3.3 Workplace employment in Wales 2010



Source: Workplace employment in Wales, 2001 to 2010. Statistics for Wales Statistical Bulletin

134 Office for National Statistics (2012) *Labour Market Statistical Bulletin: November 2012*. London: ONS. [http://www.ons.gov.uk/ons/dcp171778\\_284362.pdf](http://www.ons.gov.uk/ons/dcp171778_284362.pdf)

inactivity was 24.7%, compared to 22.6% for the UK as a whole.<sup>135</sup>

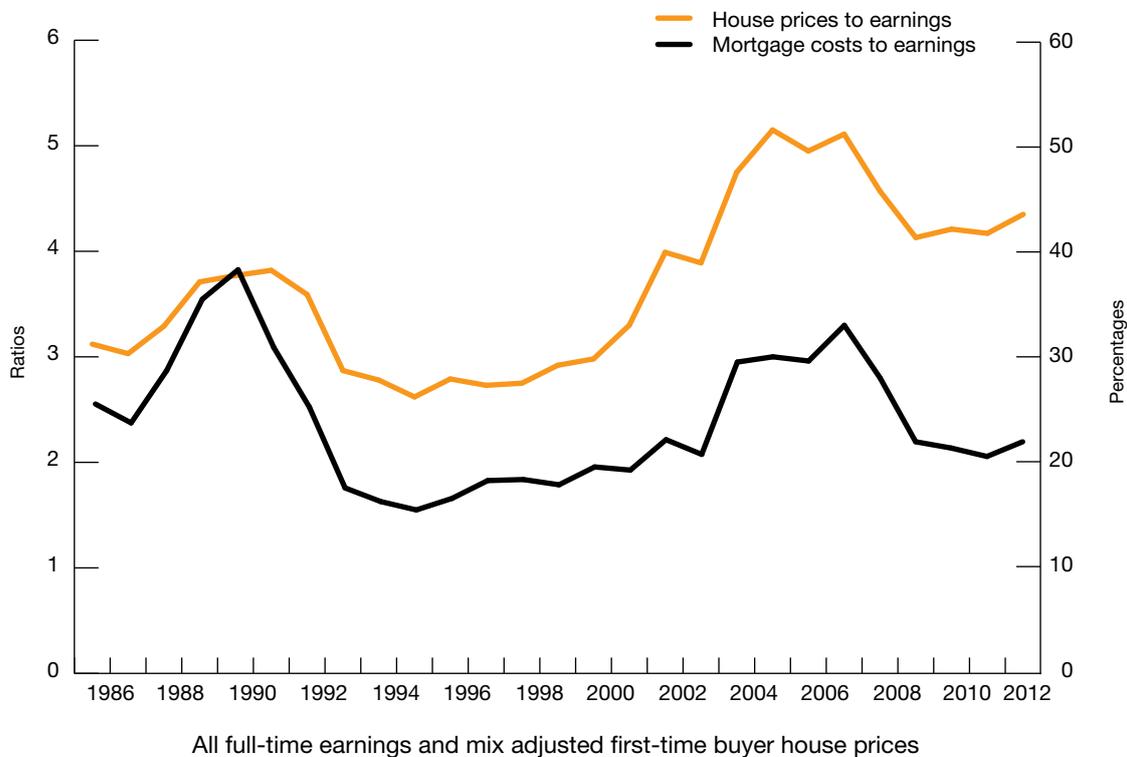
Wales is also characterised by low levels of pay, and household incomes, compared to the rest of the UK. Indeed, median full time earnings in Wales in 2012 were 10.5% lower than for the UK as a whole, and lower than in all other parts of the UK, including all of the regions of England.<sup>136</sup> Gross disposable household incomes per head in 2010 were 12.4% lower than for the UK as a whole, and lower than in all parts of the UK other than Northern Ireland, and the North East and Yorkshire & Humber regions of England.<sup>137</sup>

### 3.4 Post-2007 housing market downturn

Housing affordability improved in the early 1990s but began to deteriorate from 1997 onwards, and more sharply after 2004. Much of the improvement in affordability was based on the substantial reduction in interest rates after 1990, linked to the long period of low inflation resulting both from government policy and favourable international economic conditions.

As Figure 3.4 shows, the combination of prolonged economic growth, and low interest rates, led to a sharp rise in house prices relative to earnings after 1997; but the impact

Figure 3.4 Housing market affordability in Wales



<sup>135</sup> Office for National Statistics (2012) *Regional Labour Market Statistics, December 2012*. London: ONS. [http://www.ons.gov.uk/ons/dcp171778\\_290477.pdf](http://www.ons.gov.uk/ons/dcp171778_290477.pdf)

<sup>136</sup> Office for National Statistics (2012) *Annual Survey of Hours and Earnings, 2012 Provisional Results*. London: ONS. [http://www.ons.gov.uk/ons/dcp171778\\_286243.pdf](http://www.ons.gov.uk/ons/dcp171778_286243.pdf)

<sup>137</sup> Office for National Statistics (2012) *Regional Gross Disposable Household Income 2010*. London: ONS. <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-household-income/spring-2012/stb-regional-gdhi-1997-2010.html>

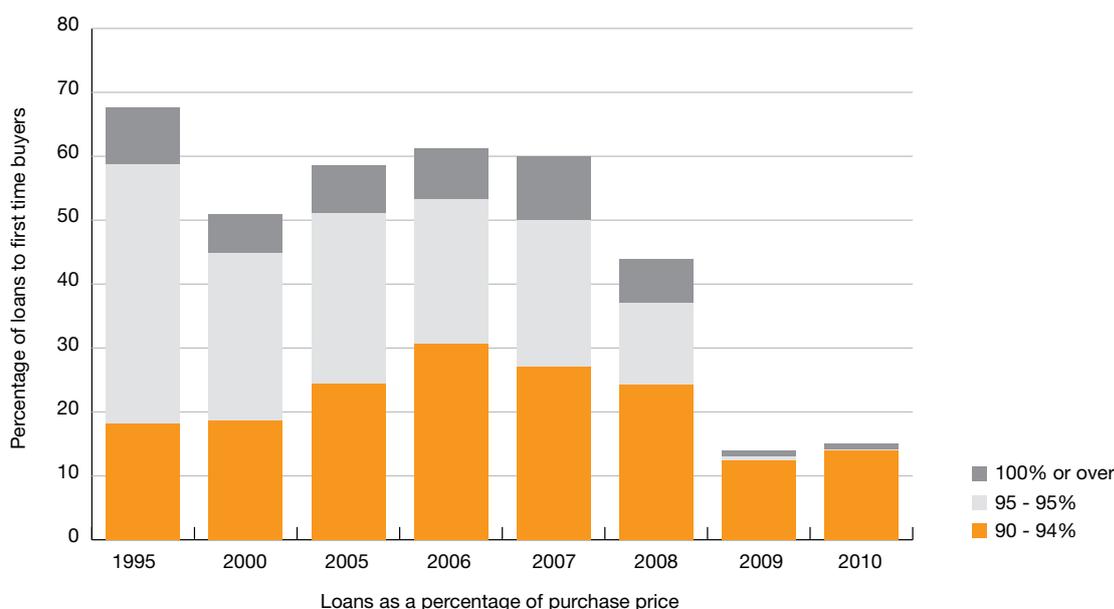
on mortgage costs relative to earnings was far less pronounced. While other factors, such as the growth in investment in the private rented sector (PRS), also played some part in the rise in house prices, that impact was also softened for home buyers by the lower post 1990 levels of interest rates.<sup>138</sup> Nonetheless, affordability for first time buyers, measured in terms of average mortgage costs as a proportion of average full time earnings, had by 2007 risen to the same level as in 1990; at the peak of the last housing market ‘boom’.

Subsequently, affordability has eased as both house prices and average mortgage rates for first time buyers have fallen in the post-crunch years. One point to note is that Figure 3.4 is based on mix adjusted prices<sup>139</sup> for first time buyers, rather than simple average

prices. This is because the mix of the smaller numbers of dwellings being purchased in the post-crunch years is very different to that in the pre-crunch years, with fewer small dwellings now being purchased, partly due to the collapse in levels of new house building, that has in recent years included a high proportion of smaller dwellings.

As a result, simple average prices exaggerate the extent to which prices have been resilient in the post-crunch years, as the increase in the average size of dwellings within the mix is responsible for a good deal of that price resilience.<sup>140</sup> Mix adjusted house prices for first time buyers in 2012 were still some 7% lower than in 2007. In contrast, simple average prices suggest that first time buyer prices in Wales have remained stable, without ever falling below 2007 levels.

Figure 3.5 Decline in low-deposit mortgages for first-time buyers



Source: Regulated Mortgage Survey

<sup>138</sup> Wilcox, S. & Williams, P. (2009) ‘The Emerging New Order’, in *UK Housing Review 2009/2010*. Coventry: CIH.

<sup>139</sup> Mix adjusted prices are based on a consistent mix of dwellings, rather than just those where sales occur in each period. ONS prices use a mix based on three years of transactions.

<sup>140</sup> Ibid.

However, while housing affordability has improved since 2007, access to home ownership has become more problematic for would be first time buyers in this period, as the reduced flow of mortgage funds and regulatory pressures have drastically reduced the availability of mortgage products allowing purchase with low or no deposit.<sup>141</sup> The sharp reduction in the availability of low deposit mortgages (see Figure 3.5) has in effect created a ‘wealth barrier’ to homeownership for aspiring first time buyers – now excluding some 100,000 potential purchasers each year in the UK. There have been just some 8,000 advances for first time buyers annually in Wales since 2008; little more than half the level achieved in the immediate pre-crunch years. This is lower than at any time over the past forty years.

There was some marginal easing in the availability of low deposit mortgages for first time buyers in 2010, but Financial Services Authority (FSA) data on low deposit mortgages for all home buyers show that even by the third quarter of 2012, low deposit mortgages were still at only a sixth of the level in 2007, as a proportion of all mortgage advances.<sup>142</sup> Moreover, this constraint for would be first time buyers looks set to be locked in by a future tighter regulatory framework for mortgage lenders that will extend beyond the current dislocation of the market. In effect, this is equivalent to a reversion to the constraints on mortgage availability in the years before the deregulation of the mortgage markets in the early 1980s.

Looking ahead, expectations for housing market recovery in 2012 are moderated by the low level of anticipated economic growth,

anxieties about employment prospects in the face of public sector cuts, and the prospect that financial market pressures will result in rising interest rates.

A further important difference in the housing market in this downturn is the far more significant role of the private rented sector (PRS). The sector has grown by more than 50% over the last decade,<sup>143</sup> and now fulfills an important and active role in providing accommodation for households at all income levels. It is also associated with high levels of mobility, providing accommodation for some three fifths of all households moving in the previous year.<sup>144</sup>

The improved supply of private rented dwellings has brought a welcome flexibility to the wider housing market, and has also provided an alternative source of accommodation for households unable to secure housing in either the social rented or home owner sectors (albeit that the PRS may not be their preferred tenure).

The growth in the importance of the PRS for moving households is both in terms of moves into, but also within, and out of the sector. While data from England shows that less than one in ten moves by existing private tenants are either because the accommodation was unsuitable, or because of issues with their landlord,<sup>145</sup> this still suggests thousands of ‘pressured’ moves in Wales each year.

Although it is clear that the PRS now plays a much more important part in the housing market, our understanding of the sector is hampered by the lack of timely and robust data. There is no transaction data on lettings in the PRS, equivalent to the Land Registry

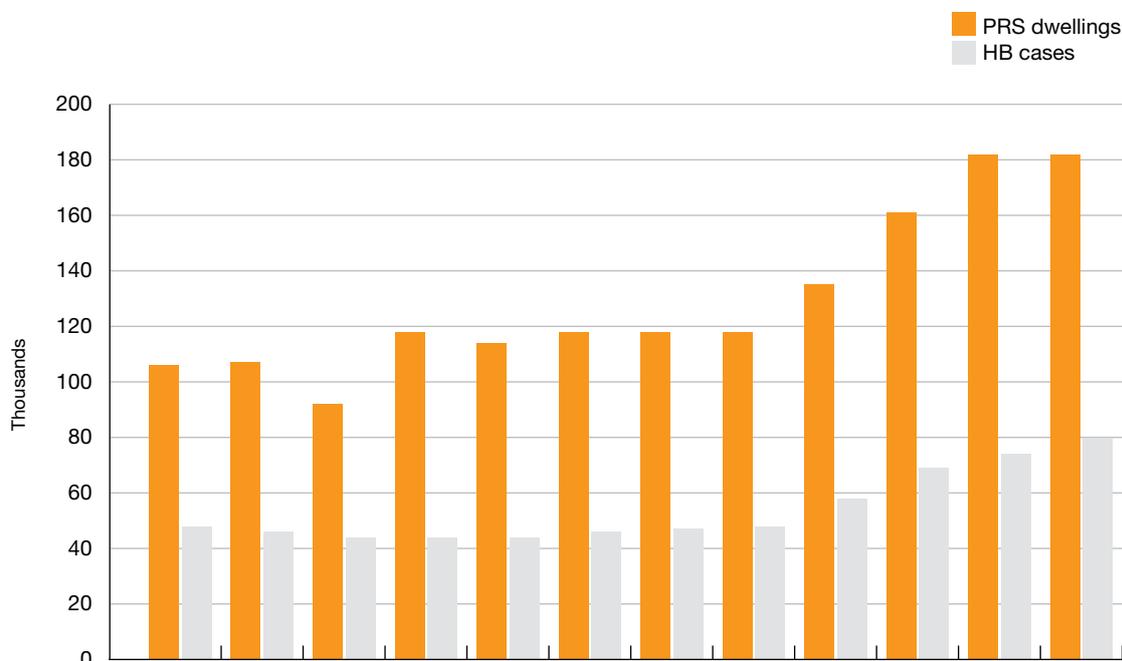
<sup>141</sup> Pawson, H. & Wilcox, S. (2011) *UK Housing Review Briefing Paper*. Coventry: CIH.

<sup>142</sup> FSA (2012) *Mortgage Lending & Administration Return Statistics, December 2012*. FSA. [http://www.fsa.gov.uk/library/other\\_publications/statistics/future](http://www.fsa.gov.uk/library/other_publications/statistics/future)

<sup>143</sup> See Table 17 in: Pawson, H. & Wilcox, S. (2013) *UK Housing Review*. Coventry: CIH.

<sup>144</sup> DCLG (2011) *English Housing Survey: Headline Report 2009-10*. London: DCLG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6714/1851086.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6714/1851086.pdf)

<sup>145</sup> Ibid.

**Figure 3.6 Rapid growth of private rented sector**

Data for Wales (estimated HB figure for 2008). UKHR for stock data; DWP website for HB data.

data for house sales, and no robust long-term data series on PRS rents. We currently rely either on survey data, which is always some two years behind the story, or various ad hoc private sector data sets which give only a very partial perspective on more current developments.

While in England the Valuation Office has now begun to publish data quarterly on market rent levels by region and local authority area, this approach has not yet been taken up by the Welsh Rent Service, although it is understood to be under consideration. And the Rent Service does, in any case, publish the figures for Local Housing Allowances (LHAs) for each 'Broad Rental Market Area' in Wales.<sup>146</sup>

We do, however, have more timely data on the numbers of low income private renters

in receipt of HB, and those numbers have grown rapidly in recent years, and particularly since 2006. By 2011, there were some 80,000 HB claimants resident in the sector in Wales, accounting for over 40% of all private tenants. However, this calculation is based on the latest official stock estimates, and the recently published Census 2011 data suggests that those estimates are rather on the low side. In due course, the stock estimate figures, both for 2011 and previous years, can therefore be expected to be revised upwards.

While robust up-to-date time series data on private rents are not available, the latest RICS survey suggests that private rents have been rising strongly across the UK since April 2010, having fallen in the previous year.<sup>147</sup> However, the Rent Service LHA figures for 2013 suggest only very modest increases (if

<sup>146</sup> Welsh Government (2012) *Local Housing Allowance Rates applicable from April 2013*. Cardiff: Welsh Government. <http://wales.gov.uk/topics/housingandcommunity/housing/private/renting/rentofficers/publications/lha13/?lang=en>

<sup>147</sup> RICS (2011) *RICS Residential Lettings Survey GB April 2011*. London: RICS

at all) in 30<sup>th</sup> percentile rent levels over the last year. It is not clear, however, how far that is a consequence of the LHA reforms (discussed in Chapter 4), or how far that is typical of rent changes across the overall PRS in Wales over that period.

### 3.5 Household growth and housing market prospects

In the longer-term, prospects for improved housing market affordability – and accessibility – continue to look problematic. Latest household projections suggest that housing demand will continue to grow strongly over the medium and longer-term: in the 25 years from 2008, household growth in Wales is projected to average almost 13,000 per annum (although lower variant projections suggest a growth rate of only some 7,500 additional households a year). Therefore, even a revival of construction activity to pre-credit-crunch levels – of some 9,000 dwellings per annum – would leave house building running far behind the projected demand on the main projections, although adequate in term of the alternative lower projections.

Inevitably, there is a particular degree of uncertainty around the impact of migration levels on household projections, but this is much less of an issue in Wales than in England. Wales has seen net inward international migration since 1994, and levels rose sharply after 2005 – to a peak of 8,300 in 2007.<sup>148</sup> However, levels have subsequently declined, and in 2011 there was a net outflow of international migrants (of some 2,000 individuals).<sup>149</sup> Over the decade to 2007/08, net inward migration from the rest of the UK

to Wales averaged just under 7,000 a year, with a peak level in 2002/03 of over 14,000. However, net migration levels from the rest of the UK have also fallen sharply following the credit-crunch, to less than 3,000 over the two years 2008/10.<sup>150</sup>

It remains to be seen whether these lower levels of net inward migration to Wales continue, and whether or not they result in any reduction in the figures set out in the next round of household projections. However, unless household growth turns out to be closer to the levels suggested by the current ‘lower variant’ projections, Wales will need to see new house building rates climb to higher levels than those managed in the pre-credit-crunch years.

The extent to which any future shortfall in house building rates relative to household growth has any upward pressure on house prices will also depend on the future level of recovery in the mortgage markets, as well as the wider economy. But in the immediate future, house price rises are likely to continue to be limited in the face of constraints on the availability of mortgage finance. In the medium term, with the restrictions on the availability of low deposit mortgages for first time buyers set to continue, it is likely that future growth in the private housing market will be predominantly in the rented sector.

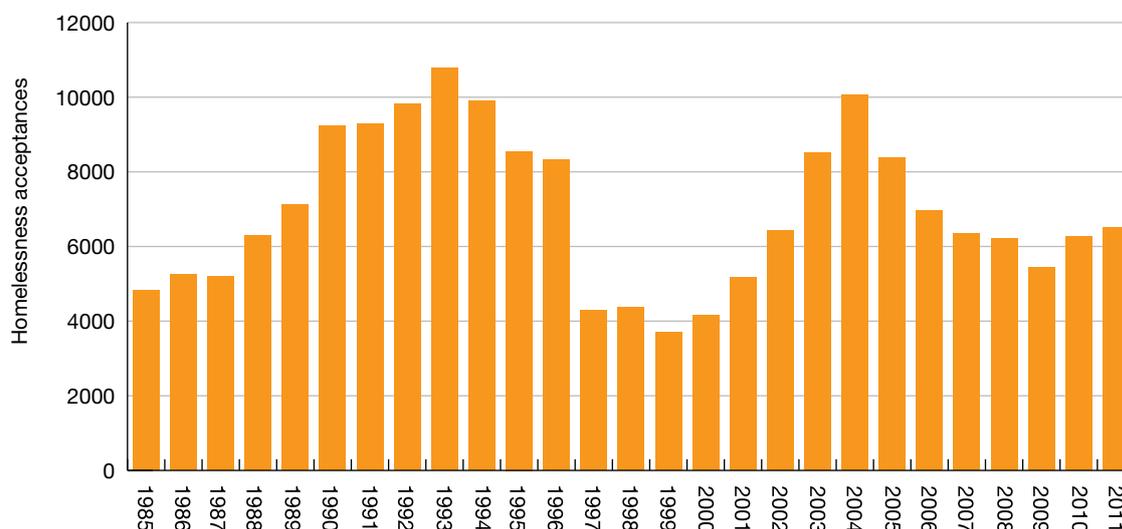
The implications of these housing market changes and prospects for homelessness are considered below.

<sup>148</sup> Statistics for Wales (2010) *Wales's Population: A Demographic Overview*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/statistics/2010/101027walespopulationen.pdf>

<sup>149</sup> Welsh Government (2012) *Co-ordinated Release of Population and Migration Outputs, November 2012*. Cardiff: Welsh Government. <http://wales.gov.uk/topics/statistics/headlines/population2012/121129/?lang=en>

<sup>150</sup> StatsWales (2012) *Table: Migration between Wales and the rest of the UK, by local authority, flow and financial year*: <https://statswales.wales.gov.uk/Catalogue/Population-and-Migration/Migration/Internal/MigrationBetweenWalesAndTheRestOfTheUK-by-LocalAuthority-Flow-Period-OfChange>

**Figure 3.7 Welsh homelessness acceptances fell after the early 1990s downturn but rising after the 2008 credit-crunch**



Source: Welsh Government/Department of the Environment

### 3.6 Impact of the post-2007 economic and housing market downturn

As noted in Chapter 2, European comparative research suggests that housing market conditions and systems can have a more direct effect on homelessness than labour market conditions. It also indicates that the impact of recessionary pressures – particularly rising unemployment – on homelessness is likely to be complex and rather diffuse, mediated by welfare arrangements and other intervening factors. Analyses of previous UK recessions have also suggested that a time lag operates, with unemployment affecting homelessness both directly – via higher levels of mortgage or rent arrears – and indirectly – through pressures on family and household relationships.<sup>151</sup>

Taken together, however, the net effects of recessionary pressures on homelessness

may not always be the expected ones; nor are they uniform over economic and housing market cycles. While there are some common elements in economic and housing market cycles there are also important differences in the configuration and characteristics of each market cycle.

Following the post-1990 recession, easing affordability and rental housing supply substantially outweighed the negative consequences of economic weakness on housing – e.g. repossessions arising from rent or mortgage arrears triggered by loss of employment. Probably partly reflecting this trend, by 1997 statutory homelessness had fallen by some 60% on its 1993 peak<sup>152</sup> – see Figure 3.7. For reasons which remain obscure (but may be related to data reliability), the Welsh reduction was proportionately twice as large as that seen over roughly the same time period in England. As discussed in more detail in Chapter 5, the more recent 46%

<sup>151</sup> Vaitilingham, R. (2009) *Britain in Recession: Forty Findings from Social and Economic Research*. Swansea: ESRC; Audit Commission (2009) *When It Comes to the Crunch ..... How Councils are Responding to the Recession*: London: Audit Commission. <http://archive.audit-commission.gov.uk/auditcommission/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/whenitcomestothecrunch12aug2009REP.pdf>

<sup>152</sup> See Table 90 in: Pawson, H. & Wilcox, S. (2012) *UK Housing Review 2011/12*. Coventry: CIH.

reduction in homelessness acceptances recorded in the 2004/09 period is attributable to changes in policy and administrative procedures – not to a decline in underlying housing need.

This easing of housing access pressures is crucial because frustrated ‘entry’ into independent housing by newly forming or fragmenting households is a far more important ‘trigger’ of (statutory) homelessness than are forced ‘exits’ from owner occupation via repossessions or eviction due to rent arrears.<sup>153</sup> There is also good evidence that general conditions of affordability predict levels of hidden homelessness, such as overcrowding or concealed households (see Chapter 5).<sup>154</sup>

Crucially, post-1990 also saw a substantial rise in the availability of social sector lettings, with local authority lettings to new tenants rising by 37% in the period 1990-1998.<sup>155</sup> This came about partly as a result of Government action to increase investment in new social sector housing as part of its response to the housing market collapse, and partly because increased private sector affordability also enables more social sector tenants to move out to buy, thus increasing the availability of ‘relet’ properties in the private sector.

Stimulus investment approved in 2008/09 will have contributed to a minor upturn in social housing availability in the period to 2011. However, a sustained positive impact on social sector lettings is unlikely because the Government boost to new social sector housing supply was short-lived, and also because the continuing constraints of the deeper and longer economic downturn, and

the continuing limitations on the availability of mortgage finance, are not expected to facilitate voluntary moves out of the sector that would lead to a substantial rise in the levels of available social sector relets. Moreover, predominantly as a result of the gradual long-term effect of the right to buy, levels of relets are now much lower than they were at the time of the last recession. Nor have levels of new supply been increased to offset the decline in relets.

While the growth in the availability of lettings through the PRS has thus far been seen as a predominantly positive factor in easing the impact of the recession, there are doubts about the likely availability of lettings to lower income households in the coming years. In addition, to the squeeze from frustrated potential first time buyers, there are also concerns about the impact of the recently introduced reforms to the LHA regime for private tenants (see Chapter 4 below). There is some emerging evidence in Wales, and much stronger evidence in England,<sup>156</sup> that the ending of private sector tenancies is a growing cause of homelessness (see Chapter 5).

General conditions in the housing market were seldom identified by our Welsh key informants as drivers of single or youth homelessness, but LA representatives highlighted local housing market trends as critical to statutory and family homelessness. Difficulties in obtaining mortgages were identified as restricting access to owner occupation and, partly as a result, there had been a decline in social lets/turnover, as fewer people were moving out of social housing to ‘better themselves’. Newly forming or ‘concealed’<sup>157</sup> households were

<sup>153</sup> Pleace, N., Fitzpatrick, S., Johnsen, S., Quilgars, D. & Sanderson, D. (2008) *Statutory Homelessness in England: The Experience of Families and 16-17 Year Olds*. London: CLG. <http://www.york.ac.uk/media/chp/documents/2008/Family%20Homelessness%20final%20report.pdf>

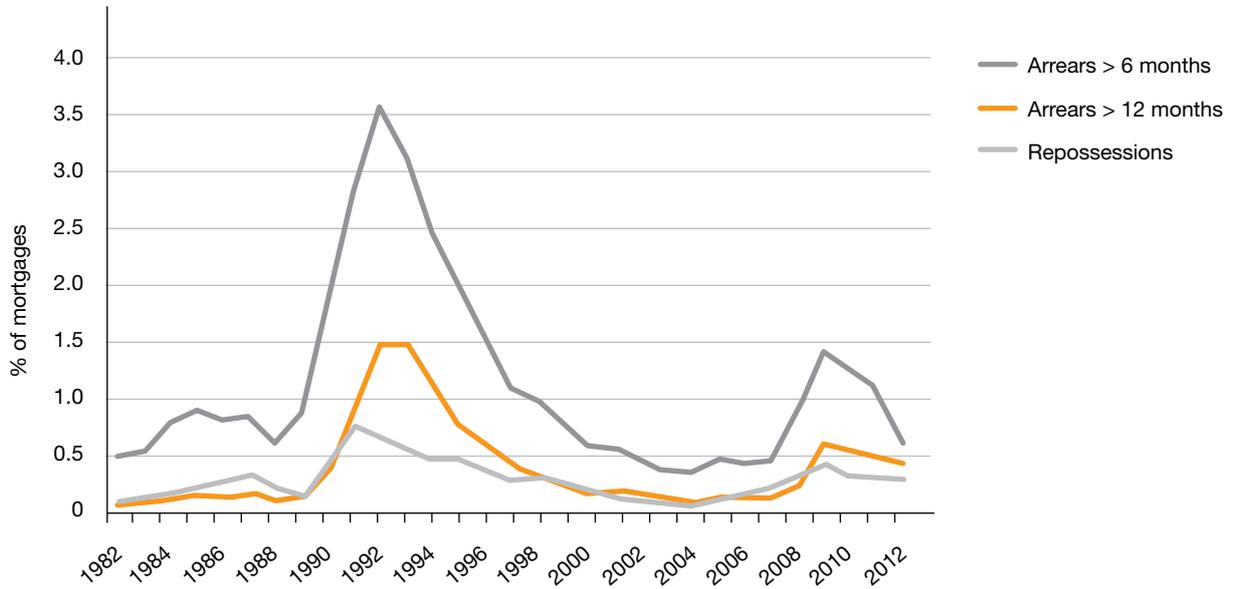
<sup>154</sup> Bramley, G., Pawson, H., White, M., Watkins, D. & Pleace, N. (2010) *Estimating Housing Need*. London: DCLG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6338/1776873.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf)

<sup>155</sup> Wilcox, S. (2000) *Housing Finance Review 2000/01*. Coventry & London: CIH & CML.

<sup>156</sup> Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf)

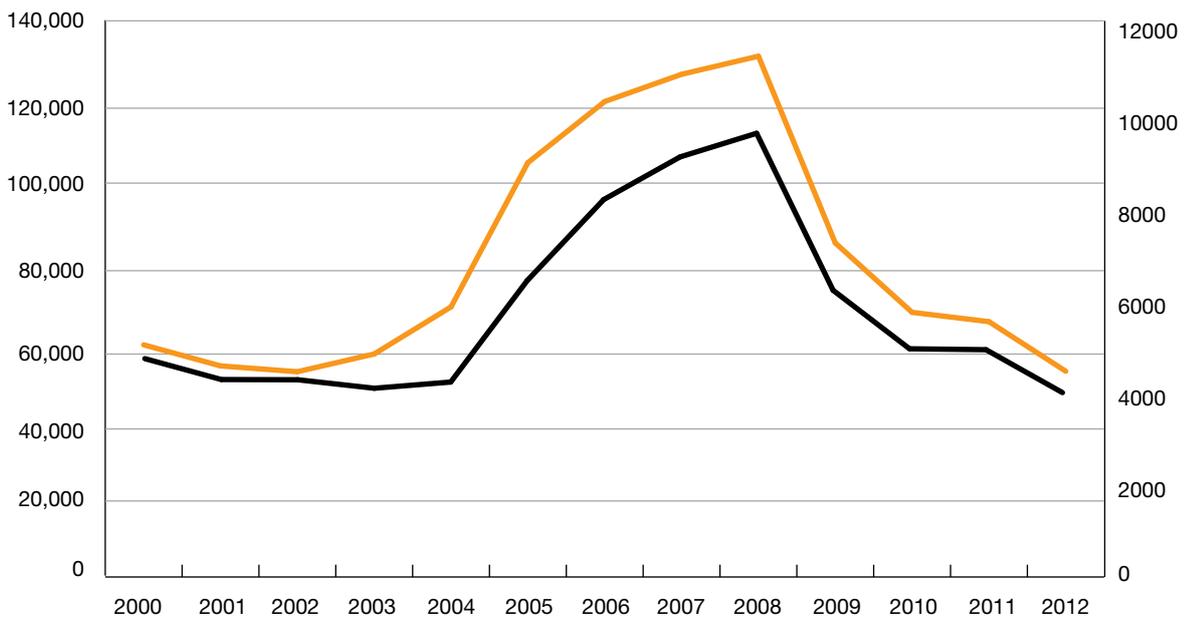
<sup>157</sup> See Chapter 5.

Figure 3.8 Mortgage arrears and repossessions, UK 1982-2012



Source: DCLG Live Table 1300

Figure 3.9 Mortgage possession claims, England and Wales 2000-2012



Source: Ministry of Justice statistics

therefore more likely to be asked to leave accommodation by family/friends, as their hosts could see that the prospects of being housed via the waiting list are diminishing, thus driving up statutory homelessness.

The importance of the longer-term indirect impacts of the recession on homelessness were also conveyed by our key informants, most of whom noted that, thus far, the post-2007 downturn had had little discernible impact on their client group or demand for their services. However, they anticipated a major lagged effect of the recession, in combination with welfare reform (see Chapter 4). In some areas, such as Swansea, their particular vulnerability in the light of cuts in public sector employment was emphasised.

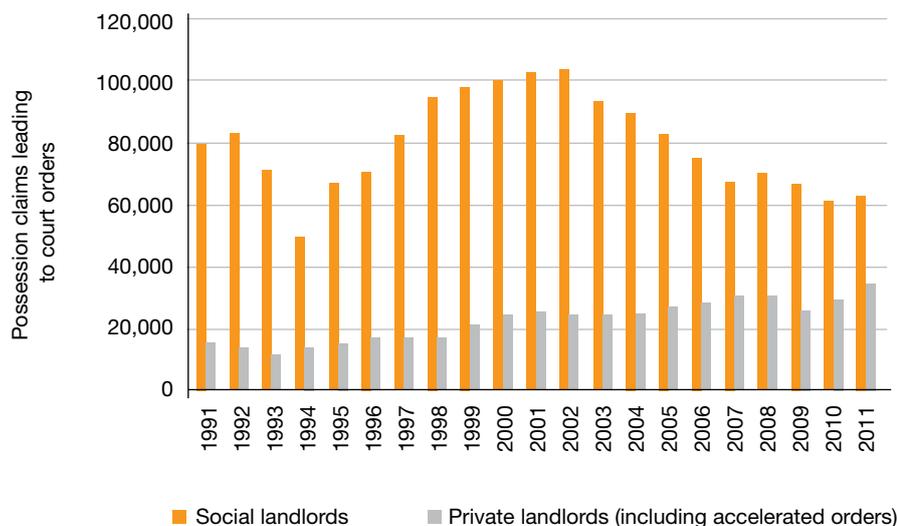
The most likely impact of the recession was thought to be a growth in relationship breakdown, especially between parents and adult children, as a cause of homelessness:

“more of that – a side effect of the economic recession” (LA officer). Thus, as in England and Scotland, representatives of single and youth homelessness services prioritised these growing stresses on family relationships as the main causal mechanism through which recessionary pressures would impact on homelessness.<sup>158</sup>

*“Very often the family conflict that mediation is seeking to resolve is underpinned by the stress of poverty and unemployment, especially if the young person is not doing anything ‘purposeful’.” (Senior manager, voluntary sector homelessness service provider)*

*“[it] can be a tipping point, exacerbating conflict, the general pressure and strain on the family, [it] may be dealt with OK in other circumstances.” (Senior manager, voluntary sector homelessness service provider)*

**Figure 3.10 Landlord possession claims leading to court orders, England and Wales 1991-2011**



Source: Ministry of Justice mortgage and landlord possession statistics

158 See Vaitilingham, R. (2009) *Britain in Recession: Forty Findings from Social and Economic Research*. Swansea: ESRC.

In keeping with the theoretical framework set out in Chapter 2, interviewees tended to emphasise that it will be the *combination* of benefit cuts and lack of access to employment that will hit potentially homeless groups – it will not generally be one particular factor on its own that will tend to be decisive, but rather the cumulative effect.

The next few subsections consider the specific interrelationship between mortgage arrears/repossessions, and rent arrears/evictions, and homelessness, as this is an area of particular policy and press interest.

### **Mortgage arrears and repossessions**

At the UK level, both mortgage arrears and repossessions have risen sharply since 2007 (see Figure 3.8). However, two points should be noted here. First, the increase in repossessions has been far less marked compared to the early 1990s recession. Second, potential claims for possession issued to the courts actually started to increase after 2003 (Figure 3.9), as rising affordability ratios left more recent buyers exposed to unmanageable changes of circumstances, while there were no effective market or regulatory pressures on lenders to exercise any significant measure of ‘forbearance’. However, the arrears numbers are shown in Figure 3.8 to have risen more sharply in response to the credit-crunch and recession from 2007.

In practice, however, the combination of low interest rates and lender forbearance has so far held down the proportion of high arrears cases resulting in repossession. Lenders have been strongly encouraged by the Government to exercise forbearance, and this has been reinforced by new court protocols and the availability of advice to people with mortgage

debt problems on court premises. It may also be argued that lenders have a considerable interest in forbearance in many cases, if there is a reasonable chance that the household will recover its financial position and also if houses are difficult to sell in the current market. This interest may be reinforced by the overall position of banks’ balance sheets and the way they are assessed by the financial markets; there may be a disincentive to force the issue and reveal losses on mortgage and other loans.<sup>159</sup>

Nonetheless, it is notable that mortgage arrears, possessions and new court claims fell in 2012, with court claims back to pre-credit crunch levels.

However, this is now expected by some to change, especially since the reduction in the standard interest rate applied for the Support for Mortgage Interest (SMI) scheme. While hitherto low interest rates have cushioned the impact of forbearance on lenders’ finances, it is now the case that a far higher proportion of claimants in receipt of SMI will be receiving financial support below the level that fully covers their contractual mortgage commitments; or even simply the level of interest only costs on their mortgage.

Even without any change in lenders’ stance on the exercise of ‘forbearance’ we might expect to see a further rise in repossessions going forward, especially if interest rates begin to rise. Statistical modelling of affordability problems among mortgaged home owners suggests an elasticity of 2.3 linking such problems to interest rates (if interest rates rose by half, say from 4% to 6%, serious affordability problems would rise from 1% to 2.5% of mortgaged owners).<sup>160</sup> Similarly, this model showed that a doubling

<sup>159</sup> Wilcox, S., Wallace, A., Bramley, G., Morgan, J., Sosenko, F & Ford, J. (2010) *Evaluation of the Mortgage Rescue Scheme and Homeowners Mortgage Support*. London: DCLG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6339/1648140.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6339/1648140.pdf)

<sup>160</sup> See Bramley, G. (2011) ‘Affordability Criteria For Mortgage Lending: Household Panel Survey Evidence And Emerging Regulations In the UK’, Paper presented at ENHR-EMF Housing Finance Workshop on Mortgage Markets, Brussels, 30-31 March 2011, p.20. [http://www.sbe.hw.ac.uk/documents/Bramley\\_2011\\_Affordability\\_Criteria\\_for\\_Mortgage\\_Lending\\_Household\\_Panel\\_Survey\\_Evidence.pdf](http://www.sbe.hw.ac.uk/documents/Bramley_2011_Affordability_Criteria_for_Mortgage_Lending_Household_Panel_Survey_Evidence.pdf)

of unemployment could lead to a rise of 50% in serious mortgage affordability problems and ultimately to repossessions. If the forbearance process has created a much larger pool of households who are merely 'treading water' (and it can be seen that there has only been a small decline in numbers of households with 12 months or more arrears) then the impact as this unwinds could be larger still.

A recent study has developed an econometric model on aggregate data to predict mortgage arrears and possessions that attempts to take account of recent changes in the market.<sup>161</sup> This shows that the level of possessions could be extremely sensitive to the level of interest rates, with more moderate sensitivity to other factors. It also forecasts a substantial rise in the level of possessions in the years to 2015, linked to expectations both of rising unemployment and rising interest rates.

### Landlord possession actions

The drivers and dynamics for possession actions by social and private landlords are quite distinct from those relating to the mortgage market, and thus far, there is no clear indication that they are strongly linked to economic or housing market pressures.

Indeed, levels of court orders obtained by both private and social landlords fell in England and Wales during the years of the post 1990 recession, and social landlord court orders declined substantially in the period from 2002. In contrast, there has been a rise in levels of private landlord court orders since 1994; but over the two decades from 1990 to 2010, the total level of private landlord orders (including accelerated orders in respect of Assured Shorthold Tenancies) have risen less rapidly than the growth in the size of the sector (see Figure 3.10).

While for both types of landlord the dominant reason for seeking possession is rent arrears, it is not clear how strong the relationship is between rent arrears and the general state of the economy, given the intervening role the Housing Benefit (HB) system has provided in terms of support for low income tenants. Indeed, rising numbers of social landlord court orders did closely follow rising rent arrears over the second half of the 1990s, which in turn was related to changes in the administration of HB over the period.<sup>162</sup> Subsequently, a more important driver from the late 1990s – at least until 2010 – may have been the pressure to perform against 'Best Value' performance indicators and regulatory standards.

### Unemployment, mortgage arrears and rent arrears, and homelessness

As noted above, a range of intervening variables are likely to influence the relationship between unemployment, resultant mortgage/rent arrears, and homelessness. A key point to bear in mind is that, for homelessness to occur, two things have to happen simultaneously, (a) a person has to lose their current home (e.g. because of repossession or eviction), *and* (b) they have to fail to find another. In other words, not everyone who is repossessed or evicted necessarily becomes homeless.

Mortgage and rent arrears, in combination, still account for only around 5% of all statutory homelessness acceptances in Wales; a proportion that has remained steady throughout the post-2007 downturn (see Chapter 5). This may seem surprising given that, as noted above, these would appear to be the causes of homelessness most obviously associated with economic weakness (via job losses or short time working). However, our key informants

<sup>161</sup> Muellbauer, J. & Aron, J. (2012) *New Forecast Scenarios for UK Mortgage Arrears and Possessions*. London: DCLG. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6345/2195156.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6345/2195156.pdf)

<sup>162</sup> See Pawson, H. (2005) 'Social landlords get tough? Investigating recent eviction trends in England', in *UK Housing Review 2005/2006*. Coventry: CIH and CML.

reported that, though advice services and some (well-established) housing options teams were seeing a broader range of people struggling with financial problems in light of the recession, this was a largely a separate group to those who made homelessness applications. One LA representative noted, for example, that while there had been a gradual increase in notifications of mortgage possession actions, these were *not* translating into homeless presentations. She believed that the households affected generally found PRS accommodation for themselves. Another LA officer commented that, while they had the ‘*odd applicant*’ who had lost a business, or run into problems with multiple mortgages, households such as these would usually ‘*find another solution*’, either in the PRS or with family and friends, rather than go to the council (very similar comments have been made in both England and Scotland).<sup>163</sup>

The changing nature of the UK housing market, and in particular the substantial growth in the PRS as a ‘flexible’ tenure, as discussed in detail above, is clearly important in this context. That said, it may be the case that such arrangements in the PRS, or with family and friends, secured by those evicted or repossessed may simply be short-term ‘fixes’, providing only a temporary respite from homelessness, rather than preventing it (see Chapter 5). The increased role of loss of PRS tenancies as an immediate cause of homelessness has also been noted above.

### 3.7 Key points

- The impact of the prolonged economic downturn on homelessness is likely to be lagged and diffuse, often operating through ‘indirect’ mechanisms such as additional strain on family relationships. The UK economy has flat-lined over the past two years, and at best only modest levels of recovery are anticipated in the next few years.
- Within that context, the Welsh economy has been rather more sluggish than those of the other UK countries, and will be particularly impacted by budget cuts for its above average public sector. The Welsh economy is also characterised by particularly low levels of pay.
- These economic effects in Wales are likely to intensify over the coming years, though the compounding impact of benefit cuts is likely to be more decisive in influencing homelessness levels rather than the economic downturn in and of itself.
- The last major housing market recession reduced homelessness in Wales, in part because it eased access to the owner occupied sector, which in turn freed up additional social and private lets. Crucially, the 1990s also saw a substantial rise in the availability of social sector lettings in Wales, as a result of Government action to increase investment in new social sector housing as part of its response to the housing market collapse.
- This positive impact with respect to improved housing access substantially outweighed the negative consequences of economic weakness on housing –

<sup>163</sup> Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf); Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

e.g. repossessions arising from rent or mortgage arrears triggered by loss of employment.

- However, such a benign impact of the housing market recession is far less likely this time. Notwithstanding a minor upturn in social housing availability in Wales in the period to 2011, levels of lettings available in the social rented sector are much lower than during the last recession, primarily due to the long-term impact of the right to buy and continued low levels of new supply. The continuing constraints on mortgage availability are also placing increasing pressures on the rented sectors.
- Although much of the anxiety surrounding recessionary impacts on homelessness focuses on repossessions consequent on rent and mortgage arrears, these factors continue to account for only a very small proportion of all statutory homelessness cases in Wales, and elsewhere in the UK. Rent arrears levels do not in fact appear closely tied to general economic or housing market conditions, and the combined impact of low interest rates and lender forbearance has thus far held down levels of repossession in the current recession, with new repossession actions actually falling quite sharply in 2012 (though these may rise going forward). Qualitative evidence from across the UK indicates that most repossessed households manage to find at least an interim solution via family or friends, or by securing a private tenancy.
- Linked with this, it is clear that private renting has become increasingly important both as a solution to homelessness (by absorbing some of those who might otherwise become homeless) and also, potentially, as a cause of homelessness (via the ending of fixed-term tenancies). There are doubts about the likely availability of private lettings to lower income households in the coming years as a result of both the squeeze from frustrated potential first time buyers and welfare benefit restrictions.

## 4. Coalition and Welsh Government policies potentially impacting on homelessness in Wales

### 4.1 Introduction

Chapter 3 considered the homelessness implications of the post-2007 economic downturn, which straddled the end of the Labour era and the UK Coalition Government's term in office. This chapter now turns to review policy developments that might be expected to affect homeless groups and those vulnerable to homelessness, either immediately or over the next few years. It covers both areas of policy devolved to the Welsh Government and National Assembly for Wales (homelessness and housing policies) and areas of policy reserved to Westminster and therefore the responsibility of the UK Coalition Government (welfare reform).

We begin by considering recent developments in homelessness policies in Wales, before examining the distinctive housing policies of the Welsh Government, and finally reviewing the impact of the ongoing UK-wide welfare reform agenda in Wales. This discussion is informed by the causal framework set out in Chapter 2, and also by insights derived from our qualitative interviews with key informants from homelessness service providers across Wales. In Chapter 5 we assess whether the potential policy impacts highlighted in this chapter, are as yet evident in trends in national datasets.

### 4.2 Homelessness policies in Wales

In Chapter 2, the history of homelessness policies in Wales was reviewed across our four key subgroups. This section provides a more forward-looking analysis of current homelessness-related policy debates,

developments and proposals and their likely impacts. The three major areas of concern identified by key informants were: the current review of the statutory homelessness system in Wales; the distribution of Supporting People (SP) funds across Wales; and variability in the standard of response to homeless people across Wales.

#### Statutory homelessness

As noted in Chapter 2, the Welsh Government commissioned a review of the homelessness legislation (led by Cardiff University's Peter Mackie), which proposed a 'Housing Solutions' model of change that would see the primary focus of LA duties switch to preventative interventions which would *precede* the assessment of entitlements under the existing statutory homelessness system.<sup>164</sup> This proposed new approach would entail a duty on LAs "*to take all reasonable steps to achieve a suitable housing solution for all households which are homeless or threatened with homelessness.*" The definition of homelessness would stay as at present under these proposals, but the definition of threatened with homeless would be extended from 28 to 56 days. The new preventative duty would be owed to all eligible homeless or threatened with homelessness households, with no account taken of priority need, intentionality or local connection at this stage. Moreover, the LA would have a duty to provide interim accommodation if the household concerned had 'nowhere safe to stay' during the investigation of potential housing solutions; in effect extending the current interim accommodation duty beyond the priority need groups in these cases.

<sup>164</sup> Mackie, P., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Options for an Improved Homelessness Legislative Framework in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131improvehomelessframeen.pdf>

Under the proposed Housing Solutions model, LAs could discharge their duty by a) securing a 'qualifying' housing solution (enabling the individual to remain in their existing accommodation or move to suitable alternative accommodation), or b) accepting a statutory homelessness application. Given that the Housing Solutions model has the potential to reduce significantly the number of households who proceed to a statutory homelessness assessment, the possibility was raised by the Mackie team of a gradual expansion and eventual elimination of the priority need test. The Mackie team also recommended that LAs should be able to discharge the main homelessness duty via the offer of a fixed-term private tenancy for a minimum of 12 months without the need for applicant consent (bringing Wales broadly into line with England with respect to 'compulsory' discharge of duty into the PRS).

The Mackie team's main recommendations, informed by extensive consultation with stakeholders,<sup>165</sup> were incorporated into the Welsh Housing White Paper,<sup>166</sup> alongside a commitment to remove the 'intentionality' test for households with children by 2019. Responses to the Housing White Paper indicate that "Nearly all respondents were in support of the principles behind the [homelessness] proposals, specifically in relation to the importance of, and emphasis on, prevention" (p.17).<sup>167</sup> In particular, there was said to be widespread or even universal (LA and voluntary sector) support for: extending the duty to prevent homelessness from 28-56 days, enabling local authorities to

discharge their full priority need duty into the private rented sector (PRS) (without applicant consent), and changing the intentional homelessness test from a duty to a power. However:

*"About half of the local authorities that responded and the Welsh Local Government Association expressed concerns in relation to the housing solutions approach, the main issue identified being the potential resource implications. By contrast, most voluntary sector organisations supported the solutions approach, although the need for guidance and regulation was identified, as well as recognising that more resources may be needed."* (p.17)<sup>168</sup>

LA and Welsh Local Government Association (WLGA) objections focused most strongly on the emergency duty to provide safe accommodation:

*"Local authorities and the Welsh Local Government Association expressed particular concern about this proposal. They felt that it would overburden a system already under strain and lead to large increases in the number of people in temporary accommodation. However, the proposal was broadly supported by voluntary sector organisations."* (p.17)<sup>169</sup>

The abolition of intentionality for families with children (which was not part of the Mackie recommendations) brought criticism from LAs and housing associations responding

<sup>165</sup> Mackie, P. & Hoffman, S. (2011) *Homelessness Legislation in Wales: Stakeholder Perspectives on Potential Improvements*. Cardiff: Welsh Government. [www.cplan.cf.ac.uk/index.php/download\\_file/view/233/173/](http://www.cplan.cf.ac.uk/index.php/download_file/view/233/173/)

<sup>166</sup> Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

<sup>167</sup> Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities. Summary of Responses*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/121002whitepaperresponsesen.pdf>. A recent stakeholder feedback event on the White Paper also showed general support for the reforms to homelessness duties, although there were signs that not all stakeholders fully understood the nature of the new duties being proposed and the need for training of local authority and third sector staff and significantly improved partnership working was stressed, as was the need for consistency of provision across Wales. Community Housing Cymru (2012) *The White Paper and Homelessness – Taking Things Forward. Report on Stakeholder Event Discussion Groups*. [http://www.chcymru.org.uk/shadomx/apps/fms/fmsdownload.cfm?file\\_uid=0E47A441-BD32-4FF3-92E3-1178A4DD29BA&siteName=chc\\_dev\\_final](http://www.chcymru.org.uk/shadomx/apps/fms/fmsdownload.cfm?file_uid=0E47A441-BD32-4FF3-92E3-1178A4DD29BA&siteName=chc_dev_final)

<sup>168</sup> Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

<sup>169</sup> Ibid.

to the Housing White Paper, but voluntary sector organisations and national children's organisations strongly supported it,<sup>170</sup> as did, interestingly, the Chartered Institute for Housing Cymru.<sup>171</sup> The Welsh Government has argued that the abolition of intentionality for this group will 'end family homelessness' in Wales,<sup>172</sup> but this seems a far-fetched claim given that only a small number (and proportion) of all households applying as homeless are found to be intentionally homeless in Wales.<sup>173</sup> Several responses to the Housing White Paper noted that implementing this proposal would not end family homelessness, rather "*it was changing the response to family homelessness*" (p.17).<sup>174</sup> It is not entirely clear why such a modest – in term of numbers – proposal will take till 2019 to implement.<sup>175</sup>

It was evident from our interviews – that took place before the publication of the Welsh White Paper – that there was considerable dissatisfaction with the current homelessness legislation in Wales.<sup>176</sup> More specifically, it was not felt to adequately support the move towards a more preventative approach, as also found by the Mackie team:

*"Research has demonstrated the effective nature of much of the homelessness prevention work in Wales and yet under the current framework local authorities could*

*be challenged for gatekeeping in a high proportion of prevention cases. Notably, homelessness prevention work tends to be much more inclusive (i.e. all household types are assisted), less rigid (i.e. a wider range of solutions are explored), and cases are dealt with far quicker."* (p.44)<sup>177</sup>

Amongst our LA interviewees, there were particular (and strongly held) concerns about the automatic priority given to ex-prisoners which was variously described as a '*nightmare*' and '*not justified*'. To assist only those ex-prisoners who are 'vulnerable' (as in England) was argued to be '*fairer*'. One unintended consequence has been that homelessness system was said to have become a '*substitute for planning prisoner release*'. This disquiet about including prisoners as an automatic priority need group was voiced in the Mackie study too, especially given the lack of evidence that this provision does actually contribute to reduced recidivism.<sup>178</sup> The potential removal of priority need from former prisoners was broadly supported by the LA and Registered Social Landlords (RSLs) who responded to the Housing White Paper, though some voluntary sector and criminal justice organisations expressed concern.<sup>179</sup>

More generally, the expansion of priority need in 2002 was felt by some of our LA

170 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities. Summary of Responses*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/121002whitepaperresponsesen.pdf>

171 Chartered Institute of Housing Cymru (2012) *Homes for Wales: A White Paper for Better Lives and Communities - A Response*. Cardiff: CIH Cymru. [http://www.cih.org/resources/PDF/Wales%20Policy/Consultation%20response/CIH-Cymru\\_White\\_Paper\\_Consultation\\_Response.pdf](http://www.cih.org/resources/PDF/Wales%20Policy/Consultation%20response/CIH-Cymru_White_Paper_Consultation_Response.pdf)

172 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities. Summary of Responses*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/121002whitepaperresponsesen.pdf>

173 In 2011/12, 615 households were found to be intentionally homeless in Wales (representing 4.1% of all statutory homelessness decisions in Wales). The Welsh homelessness statistics do not allow for a household type breakdown of intentionality decisions, but given that families with children comprise around half of all those assessed as in priority need, and they are in all probability less likely to be found intentionally homeless than non-family households, the number of affected families is probably no more than 300 per annum, and most likely fewer than that.

174 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities. Summary of Responses*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/121002whitepaperresponsesen.pdf>

175 This cannot be compared to Scotland's 10 year timeframe for the abolition of priority need, which is a far more ambitious undertaking given the large numbers involved.

176 Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysis/homelesslegen.pdf>

177 Ibid.

178 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

179 Welsh Government (2012) *Homes for Wales. A White Paper for Better Lives and Communities. Summary of Responses*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/consultation/121002whitepaperresponsesen.pdf>

interviewees to have reduced flexibility over allocations and disadvantaged non-statutory homeless groups. One LA officer felt that it was undesirable that in order to gain access to social housing you had to “*come to a place like this [homelessness office] and show how vulnerable you are.*” Familiar concerns about the ‘perverse incentives’ associated with the statutory homelessness system were expressed,<sup>180</sup> with homelessness said to be viewed as the ‘only route’ into social housing in some major cities. In fact, the available data indicates that only around one third of all Welsh LA lettings are to statutorily homeless households, and though this does represent a steep rise over the post-devolution period,<sup>181</sup> the proportion has fallen back somewhat just recently.<sup>182</sup>

Interestingly, even those LA representatives most concerned about perverse incentives were drawn to the idea of scrapping priority need altogether as “*everybody who is homeless needs help*”. But at the same time they felt that one “*must break [the] link*” between homelessness assistance and the allocation of social housing and instead offer other forms of help, including access to the PRS:

“*Assist everyone. [There are] lots of reasons for prioritising [access to] social housing, but homelessness [is] not one of them. [We] should help everyone who is homeless.*” (LA homelessness officer)

In another urban LA, frontline officers commented that single males under 40, most of whom are non-priority, predominate amongst their clients: “*[the] biggest group are those we can do the least for*”. They acknowledged that the assistance they offered this group was largely confined

to signposting but, for many that was insufficient: “*... [I’m] not entirely sure what happens to them to be quite honest, [they] probably put up with sofa-surfing as they did before they came here.*” This LA homelessness officer said that clearly they would have a concern about “*a huge extension*” in priority need that would have “*huge resource implications, at [the] expense of other groups*”, but at the same time would like to see improvements in services they can offer people, particularly single homeless people.

On the part of single homelessness providers there was also, as you would expect, a desire to improve the service that this client group received from Welsh LAs, with most of these interviewees wishing to see the introduction of a Scottish-style universal statutory assistance model. As with LA interviewees, however, some placed emphasis on more individualised help available to all homeless people (including single people and young people) without this leading necessarily to the allocation of social housing.

This desire amongst both our LA and voluntary sector interviewees for a broadening of the scope of the statutory duties of LAs, especially towards single homeless people, together with a lesser stress on allocation of social housing as the main intervention and outcome, resonates with the Mackie and White Paper ‘Housing Solutions’ proposals.

Since the White Paper was published, and therefore also subsequent to our fieldwork being conducted, there have, as we understand it, been some significant changes to the likely form that the legislative amendments will take. As things stand at

180 Mackie, P. & Hoffman, S. (2011) *Homelessness Legislation in Wales: Stakeholder Perspectives on Potential Improvements*. Cardiff: Welsh Government. [www.cplan.cf.ac.uk/index.php/download\\_file/view/233/173/](http://www.cplan.cf.ac.uk/index.php/download_file/view/233/173/)

181 Wilcox, S. & Fitzpatrick, S. with Stephens, M., Pleace, N., Wallace, A. & Rhodes, D. (2010) *The Impact of Devolution: Housing and Homelessness*. York: JRF. <http://www.jrf.org.uk/sites/files/jrf/impact-of-devolution-long-term-care-housing.pdf>

182 See table 102 in: Pawson, H. & Wilcox, S. (2012) *UK Housing Review 2011/12*. Coventry: CIH.

the time of writing, the new approach will place a duty on local authorities “to take all reasonable steps to prevent or alleviate homelessness the result of which is the reasonable prospect of the applicant being accommodated for a minimum period of six months.” Where the household is ‘threatened with homelessness’, no account would be taken of priority need, intentionality or local connection at this prevention stage. Where households are ‘homeless’ at the point of presentation, however, and the local authority therefore has a duty to take reasonable steps to alleviate homelessness, priority need and local connection tests will be applied, with only those in priority need eligible for interim accommodation if they have ‘nowhere safe to stay’. Local authorities would be able to discharge both their prevention and alleviation duties by a) enabling the individual to remain in their existing accommodation or move to suitable alternative accommodation, or b) accepting a statutory homelessness application.

These details will continue to be subject to change throughout the drafting process until the introduction of the Welsh Housing Bill to the National Assembly for Wales in Autumn 2013, and doubtless controversy will continue over its precise content (including these amendments to the original White Paper proposals). In next year’s study we should be able to review the Housing Bill in detail, and it will be interesting to know how satisfied our interviewees are with the altered framework.

### Supporting People

Another area of considerable anxiety and controversy for both Welsh LAs and homelessness service providers is the distribution of Supporting People (SP)

monies. While, unlike in Scotland and England,<sup>183</sup> these funds remain ring-fenced at local level in Wales, there have been recent developments in the administration and governance of these funds that have significant implications for homelessness services in Wales.

First, previously there was split in the administration and distribution of SP in Wales between SP Grant (SPG) (which was LA-controlled) and SP Revenue Grant (SPRG) (which was Welsh Government controlled, and was the key source of funds for homelessness services in Wales). This arrangement seems to have reflected a compromise solution in response to lobbying on behalf of homeless and other ‘unpopular’ groups that they would lose out if LAs controlled all of SP. These two ‘funding pots’ have now been merged into a single unified (ring-fenced) Supporting People Programme Grant (SPPG) distributed via LAs.<sup>184</sup>

Second, there has been a redistribution of SP funds between Welsh LAs (as well as the general reduction in SP funds as elsewhere in the UK).<sup>185</sup> According to our key informants, this redistribution was necessitated by the larger, better organised LAs “getting their acts together” when the SP programme was first established, which meant that the Welsh valley LAs in particular did badly out of the initial distribution.

While the homelessness providers we interviewed seemed to have accepted the inevitability of this merger and redistribution of SP funds in Wales, they were still lobbying hard to minimise the risk of what some feared could be potentially dire consequences of LA control of all SP funds. There was much

<sup>183</sup> Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf); Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: Scotland 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_Scotland\\_2012\\_complete.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_Scotland_2012_complete.pdf)

<sup>184</sup> Welsh Government (2012) *Supporting People Programme Grant (SPPG) Guidance*. Cardiff: Welsh Government. <http://new.wales.gov.uk/topics/housingandcommunity/housing/supportingpeople/publications/sppgguide/?lang=en>

<sup>185</sup> This redistribution will take place over a 5 year period with a Ministerial undertaking that no LA would lose any more than 5% in any one year.

concern voiced about the Nottingham case, for example, wherein homelessness services were reported to have been decimated after the lifting of the ring-fence in England. Welsh homelessness providers worried that, though SPPG would still be ring-fenced once transferred to LAs, these funds would be directed away from housing support for groups such as homeless people, drug users etc. because “*Local councillors don’t want local people upset*”. They thus felt strongly that they didn’t want “*local politics affecting decisions about unpopular services*”.

In response to these sorts of concerns, the Welsh Government has set up six ‘Regional Collaborative Committees’ (RCCs)<sup>186</sup> – including representatives from local authorities, health, probation services, SP service providers, social landlords and service users – to which LAs must report in terms of their SP distribution. At the time of our fieldwork, a lot of concern was expressed about the operation of these RCCs, and there have been evident problems in setting them up in some areas.<sup>187</sup> For their part, LAs we interviewed worried that RCCs will be large, making it “*very hard work*” to reach a consensus, especially as providers are represented on them, and LAs will often have different priorities “*for legitimate reasons*”. The operation of the RCCs had therefore become a ‘sticking point’ between LAs and the Welsh Government, with some LAs worried that they will become somewhere people go to “*argue*”, particularly in a climate whereby the main task will be to “*divide a scarce and diminishing*

*resource*”. Voluntary organisations on the other hand wondered how much actual “*power*” the RCCs will have, and whether they will operate merely as an advisory “*talking shop*”, as it was claimed WLGA wants.

The RCCs are now operational and it has been made clear that they are advisory and coordination bodies. While they do not have executive powers or finance,<sup>188</sup> they are responsible for producing a Regional Commissioning Plan for SP services, taking account of local priorities and identifying the most effective way to meet local needs. The RCCs are reporting to a new Supporting People National Advisory Board (SPNAB), chaired by the Minister, which will oversee the SPPG as a whole.<sup>189</sup> It will be important to track developments with the SPPG – and implications for the funding of homelessness services in Wales – over the course of the next few years.

### Variability across Wales

A general point raised by several of our interviewees related to the patchy and uneven nature of responses to homelessness across Wales.<sup>190</sup> The geographical coverage of homelessness services in Wales was described by one research participant as “*sporadic*”, with large parts of Wales “*a resource desert*”. This inconsistency of service provision was particularly stressed by those voluntary sector service providers who worked across several LA areas and so were in a position to observe directly this variability. It was generally felt that responses

186 Welsh Government (2013) *Regional Collaborative Committees*. Cardiff: Welsh Government. <http://new.wales.gov.uk/topics/housingandcommunity/housing/supportingpeople/rcc/?skip=1&lang=en>

187 Vale of Glamorgan Council (2013) ‘*Scrutiny Committee (Housing and Public Protection). Report of the Director of Visible Services and Housing Supporting People Regional Collaborative Committee*’, 16th January: [http://www.valeofglamorgan.gov.uk/our\\_council/council/minutes,\\_agendas\\_and\\_reports/reports/scrutiny\\_hpp/2013/13-01-16/supporting\\_people.aspx](http://www.valeofglamorgan.gov.uk/our_council/council/minutes,_agendas_and_reports/reports/scrutiny_hpp/2013/13-01-16/supporting_people.aspx)

188 Welsh Government (2013) *Regional Collaborative Committees*. Cardiff: Welsh Government. <http://new.wales.gov.uk/topics/housingandcommunity/housing/supportingpeople/rcc/?skip=1&lang=en>

189 Welsh Government (2013) *Supporting People Bulletin and Update*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/130319spbulletin7en.pdf>

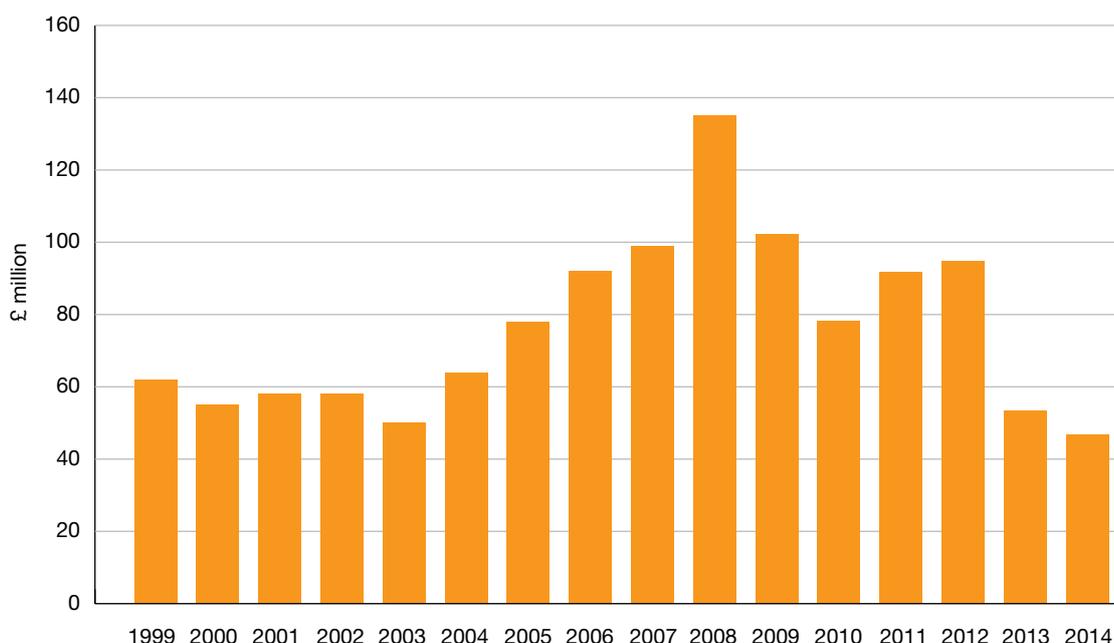
190 See also the Mackie team reports: Mackie, P., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Options for an Improved Homelessness Legislative Framework in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131improvehomesframeen.pdf>; Mackie, P., Thomas, I., Fitzpatrick, S., Stirling, T., Johnsen, S. & Hoffman, S. (2012) *Assessing the Impacts of Proposed Changes to Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120901housingimpacten.pdf>; Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysishomelessgen.pdf>

to homeless people were better in the larger urban authorities than in rural authorities, though there was also said to be variability within urban Wales.

As noted in Chapter 2, there has been no Rough Sleepers Initiative (RSI) in Wales, nor a national hostel improvement or similar programme, with less priority given to spending on housing and homelessness than elsewhere in the UK for most of the post-devolution period. While acknowledging that the numbers were relatively small in Wales as compared to England, some respondents felt that a national strategy on rough sleeping and single homelessness would be helpful “so we can coordinate responses rather than 22 LAs developing 22 policies overseen by the Welsh Government”. A number of interviewees commented that it was ‘ludicrous’ that Wales had 22 LAs, and “22 of everything”.

A related point made by most interviewees was the relatively poor – and highly variable – standard of homelessness statistics in Wales (see also Chapters 2 and 5). The Mackie team stressed the importance of addressing this weakness in the context of the potentially far-reaching changes to the statutory homelessness framework in Wales, the monitoring and evaluation of which will be rendered impossible without better and more consistent data collection. They recommended that the consistency of data collection from Welsh LAs had to be improved, and that holding statutory homelessness data at individual household level (as in Scotland) would do much to improve understanding of homelessness in Wales.<sup>191</sup> They also reported some considerable support amongst stakeholders for the establishment of some form of independent inspectorate of housing and homelessness services in Wales in order to ensure high standards of service and to

Figure 4.1 Investment in new affordable housing



191 Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysis/homelesslegen.pdf>

address problems of inconsistency,<sup>192</sup> though this proposal seems to have been met with strong resistance.<sup>193</sup>

### 4.3 Housing policies in Wales

Housing policy in Wales has not to date, however, been as distinctively different to English policy as has been the case in Scotland. Under the initial devolution arrangements from 1999, the range of powers available to Wales were far more limited than those available to Scotland, as it continued to be tied to primary legislation laid down by the Westminster Parliament, and had to seek specific derogation to gain additional powers beyond the scope of the regulatory powers available through existing legislation.

However, the UK Government has more recently devolved much wider powers to the Welsh Government, providing it with much greater scope to amend the operation of housing and other legislation within Wales. It has already used those powers to provide a new basis for regulating housing associations, and to amend the operation of the right to buy,<sup>194</sup> and is now proceeding with a Housing Bill<sup>195</sup> that will introduce:

- Changes in homelessness law (see above).
- A new registration scheme for private sector landlords and agents.
- Powers for higher council tax charges on empty dwellings.
- A duty for provision of Gypsy and Traveller sites.

- Provisions for reforming the council housing finance regime.
- Standards for council rents, service charges and quality of accommodation.
- Powers to enable more use of Community Land Trusts and Co-operative Housing.

However, while the Welsh Government is now beginning to make use of its far wider powers, those additional powers have come into play at the same time as the Welsh Government has found its overall budget squeezed by the UK government's austerity measures.

The overall Departmental Expenditure Limit (DEL) budget for the Welsh Government has been cut by 8% in real terms since 2010/11, and even before the 2012 Autumn Statement it was set to fall by a further 4% in real terms by 2014/15. Since then the Autumn Statement has, on the one hand, further cut the baseline Welsh Budget – by £20 million in 2013/14 and £65 million in 2014/15 – while on the other hand, providing some £227million over three years as part of its UK wide 'capital package'.

A part of that, extra capital funding has in turn been made available by the Welsh Government to boost housing and related infrastructure investment. But that 'boost' is in the context of an underlying decline in planned housing investment levels, and in practice has only so far served to put off that decline for another year.

Provision for investment to 'increase the supply and choice of housing' (i.e. the

<sup>192</sup> See also stakeholder comments in Mackie, P. & Hoffman, S. (2011) *Homelessness Legislation in Wales: Stakeholder Perspectives on Potential Improvements*. Cardiff: Welsh Government. [www.cplan.cf.ac.uk/index.php/download\\_file/view/233/173/](http://www.cplan.cf.ac.uk/index.php/download_file/view/233/173/)

<sup>193</sup> Henry, G. (2013) 'New homelessness law could fall victim to cost and 'homeless tourism' concerns, fears expert', *WalesOnline*, 11<sup>th</sup> February: <http://www.walesonline.co.uk/news/welsh-politics/welsh-politics-news/2013/02/11/new-homelessness-law-could-fall-victim-to-cost-and-homeless-tourism-concerns-fears-expert-91466-32782717/>

<sup>194</sup> Welsh Government (2011) *The Housing (Wales) Measure 2011*. Cardiff: Welsh Government. <http://wales.gov.uk/topics/housingandcommunity/housing/publications/measure2011/?lang=en>

<sup>195</sup> Welsh Government (2013) *Homes for Wales Bulletin*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/130312homesforwalesbulletinmar13en.pdf>

social housing grant) has been increased to £98.4 million in the current year. This is a welcome increase on the levels achieved in the previous two years, but remains lower in cash terms than the levels achieved in the preceding three years.

Moreover, subject to future announcements about the distribution of the Autumn Statement capital package, the current budget plans of the Welsh Government are that provision for the social housing grant will fall to just £53.4 million in 2013/14 and £46.9 million in 2014/15. In cash (let alone real) terms this would be the lowest level of investment for decades (see Figure 4.1).

While hopefully there will be further supplementary budget provisions for those years, those are unlikely to do more than soften the extent of the decline in investment in new social housing in the coming years.

This in turn must raise doubts about the capacity of the Welsh Government to achieve its target of developing some 7,500 new social and affordable homes over the three years to 2015. There are other innovative programmes that will run alongside those already established. They include the Welsh Housing Partnership that is set to deliver some 280 homes for intermediate rent, funded by £6 million grant but expecting to lever in some £30 million in private finance. However, given that social housing completions in Wales have in recent years been running at only around 1,000 new homes a year, there remains a great leap if the Welsh Government's target is to be achieved. In turn, that target must be seen in the context of the estimates by Alan Holmans that some 4,000 additional affordable homes are required each year.<sup>196</sup>

Moreover, the Welsh Government must take its share of responsibility for the limited levels of funding available for new affordable housing in Wales. It is widely accepted, outside as well as within Wales, that the Welsh Government does not get a favourable deal out of the overall 'Barnett formula' based devolution funding arrangements, especially compared to Scotland and Northern Ireland. The same can be said of the arrangements for council housing finance, where the Welsh Government is still trying to negotiate a deal with HM Treasury to bring an end to the subsidy regime that sees councils effectively transfer some £70 million a year to the UK government.

Nonetheless, it is also the case that post-devolution housing expenditure in Wales forms a lower proportion of government expenditure than is the case in England (in virtually every year), let alone compared to the far higher proportions in Northern Ireland and Scotland.

Finally it should be noted here that the March 2013 UK Budget has deepened the cuts in the Welsh revenue budgets for 2013/14 and 2014/15, offsetting an increased provision for specified forms of capital spending by the Welsh Government. No details were available at the time of writing as to the impacts this will have on specific services in Wales.<sup>197</sup>

#### 4.4 Welfare reforms

Given that social security systems, and especially housing allowances, are what usually 'break the link' between losing a job or persistent low income and homelessness (see Chapter 2), the welfare reforms proposed by the UK Coalition Government are likely to be highly relevant to homelessness trends.

<sup>196</sup> Shelter Cymru (2012) *Response to Homes for Wales: a White Paper for Better Lives and Communities*. Swansea: Shelter Cymru. [http://www.sheltercymru.org.uk/images/pdf/White\\_Paper\\_response.pdf](http://www.sheltercymru.org.uk/images/pdf/White_Paper_response.pdf)

<sup>197</sup> Welsh Government (2013) 'UK Budget cuts lead to the most challenging years since devolution' Jane Hutt warns', *Welsh Government Press Release*, 29<sup>th</sup> March: <http://wales.gov.uk/newsroom/improvingpublicservices/2013/130329psf/?lang=en>

The most important reforms relate to:

- Housing Benefit (HB) and Local Housing Allowance (LHA) Reforms
- Universal Credit (UC) and benefit caps
- Work Programme and increased conditionality

### Housing Benefit and LHA reforms

The LHA was introduced under Labour in 2008 with a number of objectives. Allowances for private tenants were to be set based on standard rates for the accommodation of the size deemed appropriate for the size of the household, in the broad locality of the dwelling (the Broad Rental Market Area or BRMA), rather than a complex assessment of the reasonable market rent for the individual dwelling, and the 'local reference rent' for the locality. In practice, the government introduced as part of the LHA scheme a provision that the maximum payment to a claimant should be no more than £15 above the level of their contractual rent.

The LHA regime was intended to be simpler and more transparent than the previous regime, and at the same time to provide tenants with greater choice – and responsibility – when moving into private dwellings when applying for, or in receipt, of HB.

A further feature of the LHA is that it should generally be paid direct to the claimant, rather than to the landlord, albeit with provisions for direct payments to landlords in the event of rent arrears, or with respect to tenants assessed as 'vulnerable'. The payment via client system provoked widespread landlord concern; with suggestions that this aspect of the new framework would result in claimants' access to housing being debarred.

Overall, however, the years following the roll out of the LHA in fact saw a rise in the numbers of claimant households securing private tenancies in Wales, in line with similar growth across Great Britain as a whole. In Wales, the numbers rose from 47,700 in May 2007 to 74,000 by May 2010.<sup>198</sup> The numbers of claimants in the PRS had already

**Figure 4.2 Timetable for introduction of major reforms**

Date of introduction	Measures
April 2011	Lower (30th percentile) LHA rates & national LHA caps for new claimants.
January 2012	Lower LHA rates and caps apply to existing claimants as their claims are renewed over the year. Shared accommodation rate applies to 25 - 34 year old single persons.
April 2013	Under-occupation limits for social sector tenants. Lower LHA rates basis for limits on temporary accommodation for homeless households. Maximum benefit cap for out of work claimants (in 4 areas).
July 2013	National roll out of Maximum Benefit Cap – to apply to all applicable households by end of September 2013.
October 2013	Phased introduction of Universal Credit for new claimants.
April 2014	All new claimants on Universal Credit. Phased transfer of existing claimants to Universal Credit, over four years.

<sup>198</sup> DWP (2011) *DWP Housing Benefit and Council Tax Benefit Statistical Summary*. London: DWP.

started to grow from 2003, but some part of the increase appears to be the result of reclassification of cases between the PRS and the RSL sector (between May 2006 and May 2007).

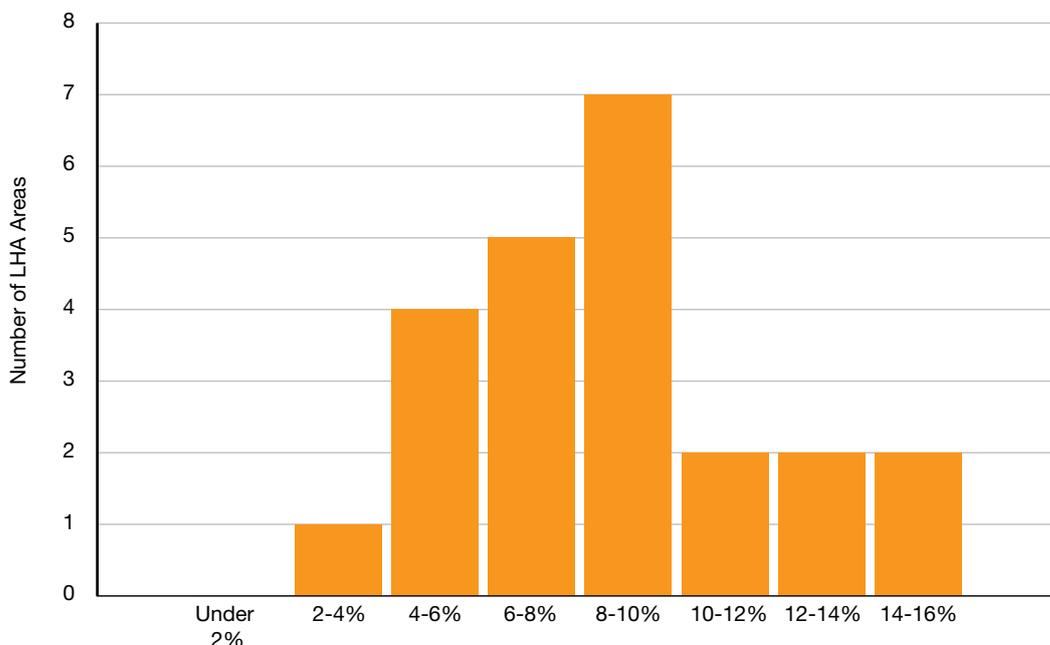
Factors underlying this trend included the wider growth of the PRS, and constraints on the availability of social rented dwellings. Nonetheless, the continued growth in claimant numbers in the PRS following the introduction of the LHA, put into context previous landlord assertions that LHA payments to claimants would trigger a collapse in provision.

In practice, the sharp rise in the numbers of claimants securing accommodation in the growing PRS in Great Britain as a whole led to UK Government concerns about the

overall costs of the LHA regime. Coupled to this were concerns that the transparent LHA rates in more expensive parts of Britain (and in particular in parts of inner London) were enabling claimants, at substantial cost to the state, to secure accommodation that could not be afforded by working households on moderate earnings.<sup>199</sup>

Those issues were initially set out in a consultation paper issued by the previous UK Government ahead of the 2010 election. However, these were swiftly taken up by the incoming Coalition Government, in the broader context of its determination to cut public expenditure, with a particular emphasis on achieving economies in the welfare budget. Added to the concerns about the equity of a scheme enabling claimants to live in high value areas, Ministers also argued

Figure 4.3 Difference 30<sup>th</sup> percentile and median LHA rates



Source: Welsh Government. 2-bed 30th percentile rates for April 2011, compared to median rates for March 2011

199 Walker, B & Niner, P. (2010) *Low Income Working Households in the Private Rented Sector*. London: DWP. <http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep698.pdf>

that the LHA regime had led to landlords increasing their rents to take advantage of the scheme.

With only minor changes, the UK Coalition Government pressed ahead with its planned reforms to the HB and LHA regimes for tenants in the social and private rented sectors, as originally outlined in 2010. The only major concession to lobbying pressure was to drop the proposed 10% 'benefit penalty' for claimants remaining on Jobseeker's Allowance for more than 12 months. As from April 2011:

- LHA rates for private tenants are based on 30<sup>th</sup> percentile rather than median market rents (with limited transitional protection for existing tenants).
- The maximum payment for private renters is the actual rent if it is below the LHA rate (i.e. removing the financial incentive for claimants to 'shop around' for 'below-rate' rents).
- National caps apply to the LHA rates (£250-£400 depending on the number of bedrooms required by the claimant household).
- The maximum LHA rate is reduced to the 4-bedroom rate.
- Non-dependent deductions uprated for both private and social tenants.

The three key changes implemented from later dates are as follows:

- From January 2012 the 'Shared Accommodation Rate' (SAR) (formerly 'Single Room Rate') is extended to single claimants aged 26-34, as well as to those under 26.

- From 2013 periodic uprating of LHA will be based on the Consumer Price Index (CPI) rather than on local rents and then by 1%.

- From April 2013, social tenants of working age in receipt of and deemed to be 'under-occupying' their homes will be subject to penalty benefit cuts.

The UK Government also modified the presumption that housing allowance payments should in the first instance be paid to claimants, and only be paid to landlords in cases where there are rent arrears, or the claimant is vulnerable. Instead, it now allowed payments direct to landlords if they agreed to reduce their rent to match the lower LHA rate. However, this provision is only temporary and the wider principle of direct payments will be reintroduced in the context of the Universal Credit (UC) scheme (see below).

There are transitional arrangements to slightly defer the impact of the new regime on existing claimants. Those transitional provisions, and the ameliorating impact of the increased budgets for LA Discretionary Housing Payments (DHPs), mean that the effects of the new regime will be seen gradually over the current and coming years, rather than as a 'big bang'.

A time line for the new welfare reform provisions is set out in Figure 4.2.

The LHA reductions outlined above were widely predicted to have a very marked impact on the capacity of benefit-dependent households to secure PRS accommodation, particularly in parts of inner London where the national caps have sharply reduced the maximum LHA rate.

However, the national LHA caps will not impact at all within Wales, and the difference

between the 30<sup>th</sup> percentile and median based LHA rates is relatively modest in many areas of Wales,<sup>200</sup> as variations in rent levels within the market are relatively compressed (see Figure 4.3). Landlords seem most likely to reduce rents to the new maxima in these areas where the difference between the median and 30<sup>th</sup> percentile rates is small, where claimants form a large proportion of the demand group for available private lettings, and where competition from other households is limited.

Some LA representatives we interviewed did think that LHA reform will have an impact on rents at the mid to lower range. As was remarked, landlords responded when LHA rates increased, putting their rents up to match new rates, so they should also respond when they go down (though the relevant interviewee did not seem to have any experience of this actually happening as yet). In other LA areas, the problems associated with these LHA restrictions were emphasised, with one homelessness manager in a major urban

locality commenting that the LHA was lower than the rent for ‘decent properties’. A LA homelessness manager from a mixed urban/rural setting in Wales also commented that the formal limits do not reflect what they feel is reality on the ground (i.e. it does not feel as though they allow access to almost one third of the market), and there was an expectation that people will have to “pay top up”.

Nonetheless, there is considerable uncertainty, and conjecture, about the extent to which landlords might be prepared to reduce rents in line with the lower LHA rates, and thus continue to supply lettings to claimants without any (further) call on their non-LHA disposable incomes. A coherent set of estimates of the likely impacts of the scheme were set out in a Cambridge University report,<sup>201</sup> that in turn took as its starting point evidence from the evaluation of the LHA pathfinders that ran for two years before the LHA scheme was rolled out nationally.<sup>202</sup>

**Table 4.1 Housing Benefit claimant numbers in the private rented sector**

	March 2011	December 2011	November 2012	Mar 2011 – Nov 2012 % Change
Wales	79,130	82,350	86,010	8.7%
Scotland	90,290	93,430	97,430	7.9%
England	1,376,440	1,424,300	1,471,920	6.9%
London	267,040	278,460	279,830	4.8%
Inner London	102,200	104,980	100,790	-1.4%
Kensington & Chelsea	4,180	3,930	3,340	-20.1%
Westminster	8,580	8,570	6,950	-19.0%

<sup>200</sup> DWP (2010) *Impacts of Housing Benefit proposals. Changes to the Local Housing Allowances to be introduced in 2011/12*. London: DWP. <http://www.dwp.gov.uk/docs/impacts-of-hb-proposals.pdf>

<sup>201</sup> Fenton, A. (2010) *How will Changes to Local Housing Allowance affect Low-Income Tenants in Private Renting?* Cambridge: Cambridge Centre for Housing and Planning Research. [http://www.cchpr.landecon.cam.ac.uk/Downloads/lha\\_reform\\_effects\\_prs-fenton-Sep2010.pdf](http://www.cchpr.landecon.cam.ac.uk/Downloads/lha_reform_effects_prs-fenton-Sep2010.pdf)

<sup>202</sup> Rhodes, D & Rugg, R. (2006) *Landlords and Agents in the Private Rented Sector: the Baseline Experience in the LHA Pathfinders*. London: DWP. <http://www.dwp.gov.uk/docs/lha4-landlords.pdf>

The LHA evaluation found that where the LHA rate was lower than the contractual rent, one in six landlords had reduced the rent charged. In just over a half of all cases the tenant made up the shortfall between the LHA and the rent, while almost 30% failed to do so. In half of the latter cases the resulting rent arrears did not lead to any landlord action; and thus there was *de facto* acceptance of the lower level of rent set by the LHA rates. Overall, the Pathfinder evaluation suggests that just over 30% of all landlords had been explicitly (16%), or implicitly (15%), prepared to reduce their rents in response to LHA rates.

While this survey data is the best available on 'landlord behaviour' consequences of the LHA system, it cannot conclusively show how landlords will react to the changes to the LHA regime now in place, which involve an appreciable reduction in LHA rates, and take effect in a very different market context. However, the formal Department for Work and Pensions (DWP) impact assessment estimated that, before taking account of any behavioural changes by either landlords or tenants, the lower LHA rates would see 35,220 households in Wales losing some £7 per week.<sup>203</sup>

As noted above, in order to encourage landlords to reduce rent charged to claimants, the UK Government introduced a temporary measure whereby Housing Benefit could be paid direct to the claimant in cases where the landlord agreed to reduce the contractual rent to match the new lower LHA rate. While this measure will have reinforced the likelihood of landlords responding to lower LHA rates, the extent of that response is not yet clear, and is likely to vary from one

area to another depending on local market conditions.<sup>204</sup>

When the LHA regime was first introduced, claimants comprised just over a quarter of all households in the PRS in Great Britain as a whole, but some two fifths in Wales. By 2010 the proportion had grown to a third in Great Britain as a whole, while remaining steady in Wales.<sup>205</sup> At the same time, the changing housing market conditions, the acute mortgage constraints on access to owner occupation, and the continuing shortfall in new house building rates, have added to the competitive pressures within the PRS.

In the medium term, there are also concerns about the greater constraints on access to the PRS for claimants that would result if private rents increase more rapidly than the LHA rates are uprated by the CPI and then 1%. While over the last decade private rents have increased more rapidly than the CPI, the future relationship cannot be predicted with any certainty. Moreover, the technical definition of the CPI is also due to be revised in the near future, to include an element related to home owners' housing costs, and the government had also acknowledged that CPI uprating will not be left to run for many years before there was a more fundamental review of LHA rates.<sup>206</sup>

However, the UK Government has now added to the concerns about the future levels of the LHA rates by the announcement in the Autumn Statement 2012<sup>207</sup> that for the two years from April 2014 they will be uprated by just 1% a year, rather than in line with CPI. This will clearly add to the potential for LHA rates to fall behind market levels. The impact

<sup>203</sup> DWP (2010) *Housing Benefit: Changes to the Local Housing Allowance Arrangements*. London: DWP. <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/2011-changes/>

<sup>204</sup> Wilcox, S. (2011) 'Constraining Choices: the Housing Benefit Reforms', in *UK Housing Review 2010/2011*. Coventry: CIH.

<sup>205</sup> DWP (2011) *DWP Housing Benefit and Council Tax Benefit Statistical Summary*. London: DWP; DCLG (2011) *Table 104, Live Tables*.

<sup>206</sup> House of Commons (2010) *Changes to Housing Benefit announced in the June 2010 Budget. Second Report of the Work and Pensions Committee*. London: The Stationery Office. <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/845/845.pdf>

<sup>207</sup> HM Treasury (2012) *Autumn Statement 2012*. London: The Stationery Office. [http://cdn.hm-treasury.gov.uk/autumn\\_statement\\_2012\\_complete.pdf](http://cdn.hm-treasury.gov.uk/autumn_statement_2012_complete.pdf)

of limited annual uprating will clearly be an important feature of the new LHA regime to monitor in the years ahead.

### Statistical evidence on the early impacts of the new LHA regime

While only limited initial results are currently available from the formal evaluation of the LHA evaluation,<sup>208</sup> some administrative data is available on changes in numbers of claimants and average claims up to November 2012. By that time, the new LHA regime had been operating for 19 months, and since the beginning of 2012 its provisions have also begun to impact on existing claimants as their periods of transitional protection unwind.

The first point to note is that the numbers of HB claimants able to secure accommodation in the PRS in Wales have continued to grow under the new regime, albeit at a slightly slower rate than in the previous year. This has also been the case in Scotland and England as a whole. It is only in the Inner London areas that numbers of claimants have begun to fall.

In the year to March 2011, the number of HB cases in the PRS in Wales grew from 73,240 to 79,130. In the following 19 months, under the new LHA regime, the numbers continued to rise to 86,010 in November 2012. So, at most, it might be claimed that the new LHA regime has slightly slowed the rate of growth of claimants able to secure accommodation in the PRS. Moreover, the numbers of claimants grew, to varying degrees, in every local authority area in Wales under the new regime. Indeed, as can be seen in Table 4.1, the rate of growth in Wales was slightly higher than in England and Scotland.

The table also shows that it is only the areas of Inner London that have seen any significant fall in the numbers of claimants able to secure, or maintain, lettings in the PRS.

These figures cannot, however, give a full indication of the impact that the new LHA regime has had on the ability of low-income households to gain access to the PRS. Other factors need to be taken into account in a more detailed evaluation, including the continuing growth of the PRS sector as a whole, and the continuing restrictions on access to the social rented sector.

A further factor is the sharp rise in the numbers of in work households claiming HB.<sup>209</sup> While no breakdown is available by tenure in the two years to May 2012, the increase in the numbers of working (and non passported) HB claimants rose by 252,000 in Great Britain as a whole, and this represented 90% of the overall rise in claimant numbers over that period.

While a detailed evaluation is required to provide a full understanding of the causes of that change, there are a number of likely contributory factors. Slow earnings growth in the post-credit-crunch years, and increased levels of part-time employment are two factors to take into account, as are above inflation rises in both sectors' rents. There is also a possibility that those contextual factors, plus perhaps all the publicity around the LHA and related reforms, have led to some increase in the take up rate for HB by working households.

Nonetheless, the continuing growth in the numbers of HB claimants in the PRS post the LHA reforms does require some circumspection, at this point in time, in respect of claims that the new 30<sup>th</sup> percentile

<sup>208</sup> Beatty, A., Cole, I., Kemp, P., Marshall, B., Powell, R. & Wilson, A. (2012) *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Summary of Early Findings*. London: DWP. <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep798.pdf>

<sup>209</sup> Pattison, B. (2012) *The Growth of In-Work Housing Benefit Claimants*. Coalville: BSHF. <http://www.bshf.org/published-information/publication.cfm?thePubID=5E017604-15C5-F4C0-99F1DFE5F12DBC2A>

based regime is significantly impacting on low income households' capacity to access the sector across the country.

The same administrative data also shows that, not surprisingly, the average HB payment to claimants in the PRS has declined since the advent of the new LHA levels and caps. From an average of £115.13 per week in April 2011, for Great Britain as a whole, the average payment fell to £105.61 per week in November 2012.<sup>210</sup> In this respect, the new LHA regime is clearly meeting one UK Government objective in constraining public expenditure levels.

However, it is not yet clear how far these reduced levels of payments are a result of either some landlords reducing rents in response to the lower LHA rates, or tenants either absorbing the shortfall between the lower LHA rates and their actual rent, or moving to less expensive dwellings. The early evaluation study findings do not, however, suggest that these will be substantial factors. While claimants under the new regime are likely to face a larger shortfall between their rent and the LHA rate, compared to existing tenants, there is no initial evidence that they are more likely to seek a move to cheaper accommodation, or to negotiate a lower rent from their landlord.<sup>211</sup> Such impacts have been indicated, however, in an assessment of the experience of advisors working for access schemes.<sup>212</sup>

Moreover, some part of the reduction in average awards will be as a result of the continuing growth in the proportion of working claimants, who as a result of their earnings, only receive partial benefit.

It is clear, however, that in most areas of Wales, LHA rates tended to rise in the first year of operation under the new LHA regime. That said, only in 13 out of 24 BRMA were LHA rates in April 2012 either equal to, or higher than, the 30<sup>th</sup> percentile LHA rate set a year earlier for all sizes of properties. In the other areas, the LHA rates for one, or even two, sizes of dwellings were lower in April 2012 than they were a year earlier. On average,<sup>213</sup> LHA rates across Wales for all sizes of properties rose by some 2.4% over the year.

There is no robust, independent source of data on movements in private rents across Wales. There is data available from some websites, but this only covers lettings made through the websites rather than by other channels, and thus does not cover the whole of the market. The two data series available from those sources suggested a 4%, or 4.5%, rise in rents over the year.<sup>214</sup> In contrast, the RICS Residential Lettings Survey suggested that private rents in Wales did not grow at all over the year to April 2012 (although grew quite strongly in the previous year).<sup>215</sup>

While there is also local evidence about the impacts of the new LHA regime (see below), it will be some time before a fuller evaluation can be made of that impact. The limited, and contradictory, data available on private rents is not helpful. Moreover the critical question in policy terms is not whether or not private rents have fallen or increased since the introduction of the new LHA regime, but whether or not they are now lower than they otherwise would have been given continuing changing pressures across the market as a whole.

<sup>210</sup> Unfortunately the DWP administrative statistics do not give figures for the average payments in Wales.

<sup>211</sup> Beatty, A., Cole, I., Kemp, P., Marshall, B., Powell, R. & Wilson, A. (2012) *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Summary of Early Findings*. London: DWP. <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep798.pdf>

<sup>212</sup> Teixeira, L & Sanders, B. (2012) *Hitting Home: Access Schemes and the Changes to the Local Housing Allowances*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/201212\\_HittingHomes.pdf](http://www.crisis.org.uk/data/files/publications/201212_HittingHomes.pdf)

<sup>213</sup> This is an unweighted average, as data on the distribution of PRS between, and within, BRMA areas is not available.

<sup>214</sup> Data from RentRight website and FindaProperty website.

<sup>215</sup> Royal Institution of Chartered Surveyors (2012) *RICS Residential Lettings Survey GB July 2012*. London: RICS.

Finally, there is one further dimension to the changes in the LHA regime that needs to be appreciated. The LHA rates (and caps) are the basis not just for the levels of payments for tenant claimants directly accessing the PRS, but also set to apply for the rents for households placed in temporary accommodation by local authorities under their homelessness duties. The lower LHA rates will apply for households once they begin to claim Universal Credit (UC), either as a new claimant or as an existing claimants as they are 'migrated' from the current regime to Universal Credits over time.<sup>216</sup> As part of those arrangements it is also anticipated that a limited additional management allowance will be paid direct to LAs as part of the new arrangements. This may have both a direct impact on LAs in Wales seeking to procure temporary accommodation, and also an indirect effect, with reports of London boroughs seeking to procure temporary accommodation for households they accept as statutorily homeless in lower-cost housing market areas such as Merthyr Tydfil.<sup>217</sup>

### The Shared Accommodation Rate (SAR)

Since the late 1990s, single childless people (or those with non-dependent children) aged under 25 and claiming HB have been subject to the Single Room Rate (SRR) restriction, based on the expectation that young people share accommodation rather than occupy a 1-bedroom flat. Hence, for such claimants HB has been limited according to local rates for shared rather than self-contained accommodation. As from January 2012 this regime, now termed the Shared Accommodation Rate (SAR), has been extended to encompass single childless people aged under 35 (there are indications

that a future Conservative administration might remove entitlement to HB from under 25s altogether).<sup>218</sup> Ministers have made a limited concession to homelessness sector lobbying by exempting from the SAR extension those who have lived in a hostel for at least three months.<sup>219</sup>

University of York research for Crisis has highlighted a number of potential implications of the SAR changes for homelessness.<sup>220</sup> These will generate significant additional demand for the shared segment of the PRS, in a context of existing shortages of shared accommodation in many areas. There is also a greater risk of unstable or failed tenancies, particularly given the increased potential for friction arising from a wider mix of ages sharing and the unsuitability of some 'stranger' shared settings for vulnerable tenants with support needs.

The administrative data suggests that the SAR changes are now beginning to have an impact. While not split by tenure, the data for November 2012 shows a small decline in the numbers of single people aged 25-34 in receipt of HB, compared to March 2012, although they had continued to rise in the first three months after the SAR changes were introduced at the beginning of January. In contrast, the overall number of HB recipients increased by a small amount over the same period. However, this data covers only the first few months of the operation of the new SAR regime (and is only available for Great Britain as a whole), and more time and detailed analysis will be required before the impact of the changes can be fully understood.

<sup>216</sup> DWP (2012) Housing Benefit and Council Tax Benefit General Information Bulletin, HB G10/2012. <http://www.dwp.gov.uk/docs/g10-2012.pdf>

<sup>217</sup> Impey, S. (2012) 'Plan to move London's homeless to South Wales is criticised', *Western Mail*, 6<sup>th</sup> November: <http://www.walesonline.co.uk/news/wales-news/2012/11/06/plan-to-move-london-s-homeless-to-south-wales-is-criticised-91466-32173432/>

<sup>218</sup> Prime Minister (2012) 'Welfare Speech': 25th June: <http://www.number10.gov.uk/news/welfare-speech/>

<sup>219</sup> The Housing Benefit (Amendment) Regulations 2011 (SI 2011/1736). These regulations also provided that ex-offenders considered to pose a serious risk to the public are exempt from the SAR extension. There have, however, been no concessions for other vulnerable groups such as those with disabilities or mental health problems, those fleeing domestic violence or separated parents needing to have their children to stay.

<sup>220</sup> Centre for Housing Policy, University of York (2011) *Unfair Shares: A Report on the Impact of Extending the Shared Accommodation Rate of Housing Benefit*. London: Crisis. <http://www.york.ac.uk/media/chp/documents/2011/unfairshares.pdf>

Youth homelessness service managers in Wales commented that “[the] whole sector is very worried about the impact” of welfare reform, and in particular the SAR. The SAR was thought likely to encourage more young people to migrate to Cardiff and Swansea (where most shared accommodation is). They voiced similar concerns about the pitfalls of shared accommodation as those expressed in England and Scotland, particularly with respect to vulnerable young people who may be exploited by older people in such accommodation.

The SAR was equally a matter of acute concern for the LA key informants interviewed. One LA representative from a mixed urban/rural area, for example, emphasised that resettling single people was becoming increasingly difficult because of the SAR extension. One particular challenge they face is with ex-offenders whom they find usually refuse the PRS because they “don’t want to share”. As this group have automatic priority need status (see above), they often insist that the LA have a statutory duty to find them social housing. This is a ‘sticking point’ for the LA, and one reason why they are in favour of compulsory discharge into the PRS (see above).

The same LA representative made the broader point that sharing was unsuitable for many individuals under 35, for example, people with “*personality disorders, substance misuse [and/or] anger management issues*”. Those subject to Multi-Agency Public Protection Arrangements (MAPPA) don’t have to share, but that is a very narrow criterion, and when their MAPPA probation is over, HB entitlement is reduced overnight. The hostel exemption, on the other hand, lasts until you are 35 and this is “*very attractive to the individual*” – once they “*serve their 3 months*” they don’t have to share again. This means that LAs are trying to place people

in hostels just to avoid SAR and are even looking to “*set up more hostel provision*” for this specific purpose. Hostel managers are resistant in some cases, but the LA is trying to get around SAR as best they can for those who are not suited to sharing. In another urban authority, again, the LA was looking to ‘bend’ exemption for those in a hostel for 3 months to cover as many 25-34 year olds as possible.

Both LAs and single homelessness providers mentioned a range of innovative responses to the challenges posed by the SAR (some of them pursued via the DWP’s ‘Houseshare Wales’ programme), including: encouraging private landlords to turn their accommodation into Houses in Multiple Occupation (HMOs); encouraging householders to take in lodgers; and working with affected under 35s to pair them up for sharing and prepare them for the realities of sharing accommodation.

#### **Non-dependant deductions (NDDs)**

Non-dependant deductions (NDDs) to HB – to take account of payments assumed to be made to the official tenant by household members aged 18 or over – have until recently been generally quite small for those on lower incomes, but can still have a significant cumulative impact leading to upward pressure on rent arrears for the tenants affected.<sup>221</sup> However, since 2010 the levels of NDDs have increased sharply, and in 2013/14 will range from £13.60 per week for a NDD earning less than £124 per week, up to £87.75 per week for an NDD earning £394 per week or more.

As in England, there was concern among the Welsh key informants we interviewed that increased NDDs were likely to contribute to more ‘youth exclusions’ and therefore homelessness. There is support for this view in the research that led to the previous UK Government freezing NDDs over a number

of years.<sup>222</sup> That said, it is somewhat difficult to isolate the impact of NDDs from other financial pressures on young people and their families, as conceded by our key informants. There is also a potentially complex interplay between NDDs and the introduction of the ‘bedroom tax’ for under-occupation in social housing (see below).

The arrangements for NDDs will take a different form under the Universal Credit scheme, and they will become known as housing costs contributions. They will be set at a flat rate of £68/month regardless of the non-dependant’s income. Exemptions will be more limited, with 21-24 year olds claiming the standard allowance of UC (JSA equivalent) now subject to a deduction, whereas at the moment they are protected. There will be issues with these required contributions, but the focus of concern will switch to households with out of work and very low income non dependents, for whom the flat rate contributions will be most challenging.

### Under-occupation in the social rented sector

In Wales, it is estimated that about 19% of all social tenants, and almost a half of those of working age and in receipt of HB, will be affected by the ‘under-occupation penalty’, with the HB losses for these households averaging £14 per week.<sup>223</sup> In total, it is estimated that around 44,000 Welsh households could be affected (see Chapter 5 for details).<sup>224</sup> Those numbers will be very slightly reduced by the limited concessions announced by the UK Government to ease the bedroom standard for disabled children unable to share a room, for the adult children away from home serving in the Armed Forces, and for foster carers.<sup>225</sup>

It was widely reported in Wales that it would be very difficult for all of these tenants to move to smaller accommodation, because it is unlikely that social landlords would have enough ‘appropriately sized’ units, with typical mainstream council housing heavily concentrated in the three-bedroom category. For example, a LA representative from a mixed urban/rural area in Wales explained that, if they had a different housing stock, they could “*shuffle people down*”, but the number of single units (which are not for the elderly) is in extremely short supply. Discussions are therefore ongoing in her area about the level of arrears that can be tolerated, but as they are a full stock transfer authority, these things are being discussed at a ‘higher level’ between the LA and relevant RSLs.

Both this and other LAs did have some small-scale innovative schemes that might help at the margins, e.g. encouraging people subject to the bedroom tax to take in a lodger, linking them with an under 35 who is subject to SAR; and informal ‘family swaps’ wherein families with ‘unruly’ young men at risk of homelessness swapped adult children, which tended to improve both the young men’s behaviour and the relevant households’ benefit status. Similarly, another Welsh LA commented that they are still considering whether “*we take the hit, or the client takes the hit*” with the ‘bedroom tax’, and emphasised that all was still up for discussion, including the development of shared social tenancies (though so far this has just been on a case by case basis, i.e. if people are interested in sharing then the LA will arrange a joint tenancy). However, none of these small-scale local schemes was viewed as capable of providing a full solution to the immense problems posed by the bedroom tax.

<sup>222</sup> Witherspoon, C., Whyley, C. & Kempson, E. (1996) *Paying for Rented Housing: Non-dependent Deductions from Housing Benefit*. London: DSS. <http://statistics.dwp.gov.uk/asd/asd5/rrep043.pdf>

<sup>223</sup> DWP (2012) *Housing Benefit: Under Occupation of Social Housing – Impact Assessment (Updated)*. London: DWP. <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

<sup>224</sup> Jones, A. (2012) ‘Bedroom tax’: Wales benefit change homelessness fears’, *BBC Wales*, 1<sup>st</sup> November: <http://www.bbc.co.uk/news/uk-wales-20159904>

<sup>225</sup> DWP (2013) *Housing Benefit reform: Removal of the Spare Room Subsidy - Fact Sheet*. DWP Press Release, 27<sup>th</sup> February: <https://www.gov.uk/government/news/housing-benefit-reform-removal-of-the-spare-room-subsidy-fact-sheet>

These comments in Wales were echoed in Scotland and northern England where the ‘bedroom tax’ was viewed as by far the most challenging welfare reform amongst all of those so far introduced. However, in Wales only, one interviewee did voice a ‘fairness’ argument in favour of the ‘bedroom tax’ – questioning why benefits should allow you to rent a bigger property in the Social Rented Sector (SRS) than the PRS, and expressing the view that bringing them into line does make sense. But even this LA key informant commented on the immense practical problems in implementation given the mismatch between stock and household size.

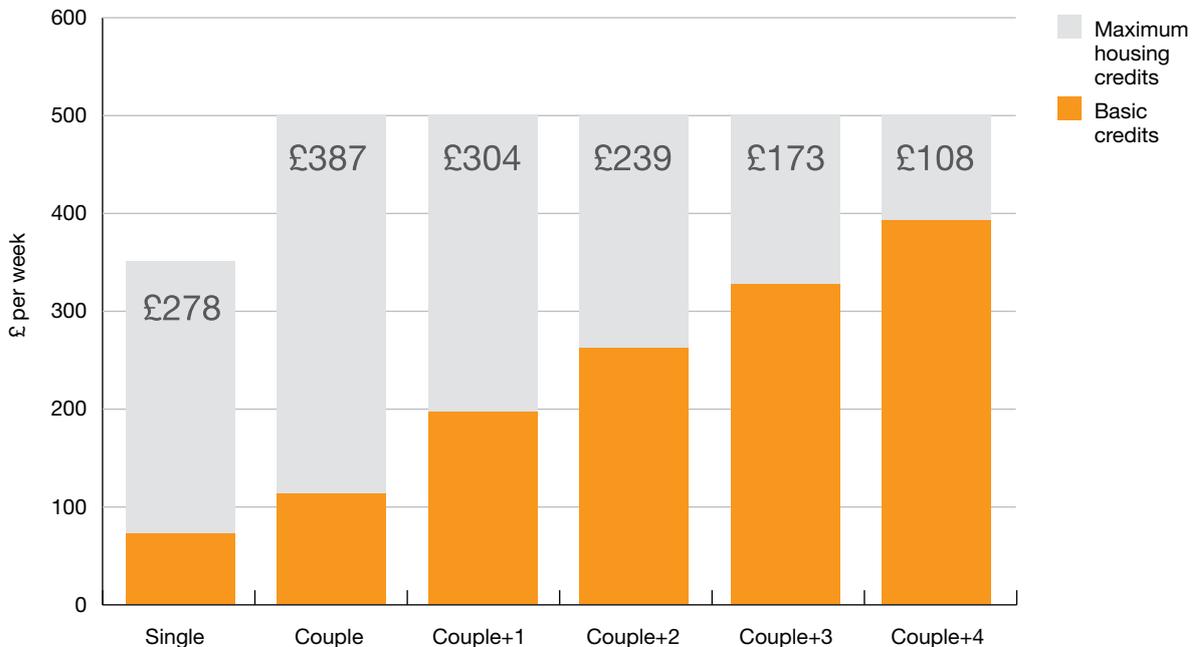
household benefits represent the most significant changes to the welfare benefits regime since the introduction of means tested in work benefits in the early 1970s. The Welfare Reform Act (which was passed in March 2012) includes the outline provisions for the new UC regime to replace Working Tax Credits, Child Tax Credits, Housing Benefit, Income Support, and the income-related Jobseeker’s Allowance and Employment and Support Allowance, with the UC. It does not, at present, cover Council Tax Benefit. Most, but not all, of the features of the Universal Credits proposal were set out in a 2009 report ‘Dynamic benefits’ published by the Centre for Social Justice (founded by Iain Duncan Smith MP in 2004).<sup>226</sup>

**Universal Credit and benefit caps**

UK Government proposals for a Universal Credit (UC) and a cap on maximum total

The UK Government intends to introduce UC for new claimants from October 2013 and to ‘migrate’ existing claimants onto

**Figure 4.4 Impact of maximum benefit cap**



Based on 2013/14 Income Support rates

226 Brien, S. (2009) *Dynamic Benefits: Toward welfare that works*. London: Centre for Social Justice. <http://www.centreforsocialjustice.org.uk/User-Storage/pdf/Pdf%20reports/CSJ%20dynamic%20benefits.pdf>

the scheme over a subsequent four-year period. These changes are advocated not only as administrative simplification, but also to improve work incentives and make the potential gains to households entering low-paid work more transparent. Central to this is that, with a single unified benefit structure, there will be a single 'taper rate' through which help is withdrawn as earned incomes rise. Under the UC proposals, it is envisaged that benefit recipients would be subject to marginal deductions from additional earnings at a maximum rate of 76% – much lower than their maximum level under the current system. For those working less than 20 hours per week, the marginal deduction rate would be 65%. While there will be transitional protection, in the longer run lone parents and larger families, in particular, will tend to be worse off under Universal Credit.<sup>227</sup>

While the UC as a whole is not in itself a cost saving measure, it will be introduced in a context where the UK Government has already set in train a series of significant cut backs in the levels of available benefits, including the HB reforms discussed above, and the levels of support available for child care costs. In total, the various cut backs will by 2014 provide the government with annual savings totaling some £18 billion.<sup>228</sup> As a result of those various cut backs, the Institute for Fiscal Studies (IFS) have estimated that the total median income among households with children is set to fall by 4.2% in real terms between 2010/11 and 2015/16; compared to a 0.9% median fall for all households.<sup>229</sup>

An analysis by the Welsh Government (with input from the IFS) has estimated that

by 2015/16 the impact of all the benefit cutbacks, including those announced in the 2012 Autumn Statement, will result in losses totaling over £1 billion a year for Welsh households.<sup>230</sup> That finding has been supported by a further analysis by Sheffield Hallam University, focusing on the local areas where the combined benefit reform measures will have the greatest impact. This found that three of the top ten most adversely affected areas in Great Britain are located in Wales – Merthyr Tydfil, Blenau Gwent and Neath Port Talbot.<sup>231</sup>

Against that, the introduction of UC, in itself, will only add some £22 million in terms of net gains to claimants at the point of its introduction. If UCs are not expected to generate initial expenditure savings, Ministers have also expressed the hope that the more effective and transparent incentives offered by the scheme will lead to more households entering the labour market in Wales, thus leading to longer-term expenditure savings.

The present UK Coalition Government has also now made clear that it is considering a further £10 billion in welfare savings from 2015/16. The latest proposal is that the budgets for at least some benefits will be cash limited after 2015/16, rather than being automatically uprated and available on demand to all eligible claimants.<sup>232</sup> But before then, it has already been announced that benefit rates for working age households will only be uprated by 1% for the three years from April 2013, and LHA rates will only be uprated by 1% in 2014/15 and again in 2015/16. Meanwhile there are many complex issues involved in the design of

<sup>227</sup> IFS (2011) *Universal Credit – A Preliminary Analysis*. London: IFS. <http://www.ifs.org.uk/publications/5417>

<sup>228</sup> IFS (2010) *Cuts to Welfare Spending, Take 2*. London: IFS. <http://www.ifs.org.uk/budgets/sr2010/welfare.pdf>

<sup>229</sup> Browne, J. (2012) *The impact of Austerity Measures on Households with Children*. London: Family and Planning Institute. [http://www.familyandparenting.org/NR/rdonlyres/30F86FFB-8911-4E40-BEF3-D7B071C9C6F8/0/FPI\\_IFS\\_Austerity\\_Jan\\_2012.pdf](http://www.familyandparenting.org/NR/rdonlyres/30F86FFB-8911-4E40-BEF3-D7B071C9C6F8/0/FPI_IFS_Austerity_Jan_2012.pdf)

<sup>230</sup> Welsh Government (2013) *Analysing the Impact of the UK Government's Welfare Reforms in Wales – Stage 2 Analysis*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/dcells/report/130218wr-stage2-analysis-en.pdf>

<sup>231</sup> Beatty, C & Fothergill, S (2013) *Hitting the Poorest Places Hardest: The Local and Regional Impact of Welfare Reform*. Sheffield: Centre for Regional Economic and Social Research, Sheffield Hallam University. [http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf)

<sup>232</sup> HM Treasury (2013) *Budget 2013, HC 2013*. London: The Stationary Office.

UC, in particular the logistical challenge of integrating the tax and benefit IT systems. The new regime will also be more complex than necessary, as it includes a two-tier earnings disregard, with a higher disregard available for households not receiving any help with housing costs as part of their UC. The lower levels of assistance that will consequently be offered to working tenant households receiving help with their rent, are also likely to frustrate the UK Government's hopes that the scheme will encourage greater labour market participation.<sup>233</sup>

It should also be noted that since 2009, Child Benefit has been disregarded in the calculation of HB entitlements, and this has operated in the same way as an increase in earnings disregards to boost the incomes of working families in low paid work. This feature disappears in the UC regime, and while the indicative levels of the UC earnings disregards are higher than the current levels for HB, for larger families they are lower than the combined value of the earnings and Child Benefit disregards,<sup>234</sup> as shown in Table 4.2.

The consequence is that for many families, the work incentives offered by UCs will be little different than those under the current regimes, despite the other more positive characteristics of the scheme. Moreover, the relatively favourable comparison of the UC and current schemes at current rates, is partly a consequence of the cut backs in the value of Tax Credits over the last two years. Compared to the 2010 welfare benefits regime, UC compares far less favourably in terms of the incentives it provides for households in low paid work. The households most disadvantaged are larger families on very low levels of pay.

**Table 4.2 Universal Credit earnings disregards for tenant households**

Household size	Current disregards	Universal credit disregards
Single person	£ 5.00	£ 25.62
Couple	£10.00	£25.62
Couple + 1 child	£30.30	£51.23
Couple + 2 children	£43.70	£51.23
Couple + 3 children	£57.10	£51.23
Lone parent + 1 child	£45.30	£60.53
Lone parent + 2 children	£58.70	£60.53
Lone parent + 3 children	£72.10	£60.53

The objective of a single integrated and simplified benefit system has also been diluted by the decision not to include Council Tax Benefit (CTB) within Universal Credits (although this was proposed in the earlier 'Dynamic Benefits' report). At the same time, the UK Government has imposed a 10% reduction in the level of funding support CTB, and in England responsibility has been devolved to local authorities to devise and operate their own schemes.

However, the Welsh Government has now provided £22 million in order to prevent any reduction in levels of CTB entitlement in Wales in 2013/14, matching similar provisions made in Scotland.<sup>235</sup> While this will still leave in place complications where the UC and CTB scheme tapers overlap, in Wales this will not be compounded, at least initially, by the reductions in the value of CTB support that will occur in England.

<sup>233</sup> Wilcox, S. (2011) 'Universal Credit: Issues, Opportunities and the housing dimension', in *UK Housing Review 2010/2011*. Coventry: CIH.

<sup>234</sup> DWP (2012) *Universal Credit Regulations 2013*. <http://www.legislation.gov.uk/ukdsi/2013/9780111531938/contents>

<sup>235</sup> Welsh Government (2013) 'Minister delivers vital support for Council Tax Benefit claimants', *Welsh Government Press Release*, 17<sup>th</sup> January: <http://wales.gov.uk/newsroom/localgovernment/2013/council-tax-benefits/?lang=en>; Scottish Government (2012) 'Council tax to be protected', *Scottish Government Press Release*, 19<sup>th</sup> April: <http://www.scotland.gov.uk/News/Releases/2012/04/counciltax19042012>

It should also be noted that while the outline proposals for the new UC regime are now clear, there are a number of important details, such as the arrangements for 'passport benefits', where the final form they will take remains unclear. For the pathfinders operating from April, free school meals and milk will be made available to all UC claimants, but it is still not clear how these rules will operate when the scheme begins to be formally introduced from October. That continuing uncertainty has contributed to concerns about the timetable for introducing UC, and doubts remain about whether or not all the policy and IT developments will be completed in time.

A further critical related reform is the maximum cap on total benefits for out-of-work households below retirement age, which will come into effect from April 2013. The cap is to be based around the national average wage, but with a lower limit set for single people. These caps – which will initially stand at £350 per week for single person households and £500 per week for couples and lone parents – are to be a flat rate across the whole UK, with no variations to take account of either family size or housing costs. As a consequence, the cap will be particularly hard-hitting for larger families in areas of high housing costs, because it will severely constrain the maximum amount of HB such households can access, limiting their ability to meet 'affordable' or even social rents in some cases. For very large families, the impact will also be felt in areas with relatively low rents.

An indication of the level of funding available for housing costs under the caps, without requiring households to reduce their expenditure on essential living costs below the levels provided for in basic benefit allowances, can be seen in Figure 4.4.

The DWP impact assessment estimated that the benefit cap would impact on some 1,500 households in Wales (with some 6,000 children). Around a fifth of the capped households are in Cardiff. Across Great Britain as a whole, it also estimated that more of the 56,000 households affected would be in the private rented sector, and that more lone parent families would be affected than couples.<sup>236</sup>

Average reductions as a result of the benefit cap will be substantial. Some 18,500 households across Great Britain as a whole (33%) will lose more than £100 per week, while a further 13,400 (24%) will lose between £50 and £100 per week. Figures on average losses within Wales are not available, but are likely to be somewhat lower than those for Great Britain as a whole, as almost a half of all the losses are for households in London, with typically much higher housing costs.

The practical challenges faced by benefit claimants under these new DWP arrangements were a matter of great concern amongst both voluntary and statutory sector key informants in Wales. One LA homelessness manager was "extremely concerned" about UC: "gosh it's dreadful, and I have no solutions. Don't know where to begin." Having claims lodged online is seen as a major practical problem – in her view, the Government is "way off the mark" in overestimating people's IT literacy. She also viewed being paid monthly as a major issue for people who have problems budgeting. At the moment, crisis interventions just need to tide people over for two or three days, under the new regime they will have to do so for up to a month:

*"...what if you have some drunkard partner, who spends a month's worth on day 2, how is that, probably abused, mother of*

236 DWP (2012) *Benefit Cap (Housing Benefit) Regulations 2012: Impact Assessment for the Benefit Cap*. London: DWP. <http://www.dwp.gov.uk/docs/benefit-cap-wr2011-ia.pdf>

*three going to make sure that everyone gets fed and gets to school for the rest of the month?" (Manager, LA homelessness service)*

A range of key informants commented that social landlords have "no confidence" that the rent will be paid under UC, and are "horrified" by idea of suddenly chasing tenants for every rent payment, with landlords presumed to be "last in the queue" of creditors after doorstep lenders etc. These worries mirror those expressed by private landlords before the introduction of the LHA regime in 2008. In practice, under the LHA regime by February 2010 some 8% of claimants were having direct payments made to landlords under the rules permitting this where rent arrears occurred. A further 11% were having direct payments made to landlords on the basis of either a history of rent arrears, or an assessment that they were 'vulnerable' and thus likely to have difficulty in paying their rent.<sup>237</sup>

The UK Government has made one small – but important – change in response to some of the concerns expressed. Giving evidence to the Work and Pensions Select Committee on the 17<sup>th</sup> September (2012) Ministers announced that housing costs for those living in supported accommodation will be provided outside of Universal Credits.<sup>238</sup>

The UK Government has launched a number of local 'demonstration projects' to guide them in framing the detailed arrangements for cases where payments in respect of rent might be made direct to social landlords (including Torfaen Borough Council, Bron Afon Community Housing). However, the projects have only started in June 2012 and will run for 12 months. Given that initial regulations and guidance for the new regime that will have to

be introduced well before the projects have run their course, and been fully evaluated, this is illustrative of how hurriedly the new UC regime is being introduced. Moreover, a number of the councils and landlords involved in the demonstration projects, including Bron Afon,<sup>239</sup> have already expressed concerns about sharp rises in rent arrears, and the adverse impact of the arrangements on both vulnerable tenants and landlords.

The LHA regime for private landlords provides a broad outline of the cases where payments to landlords might be adopted – including cases that accrue rent arrears, or have a history of rents arrears, or can be viewed as 'vulnerable' to the extent they should not be required to take on the responsibility for managing their own rental payments. There are critical issues in defining each of these sets of reasons for making rental payments direct to landlords, but by far the most problematic task will be to operationally define and identify 'vulnerable' households, within the context of a centrally managed national system, as noted by a number of our interviewees across the UK.

### **Work Programme and increased conditionality**

The welfare reform issue that appeared to be of greatest concern to many of those working with single homeless people in England and Scotland was the prospect of increased conditionality and tougher sanctions within income-related Jobseeker's Allowance (JSA) and Incapacity Benefit (IB)/Employment and Support Allowance (ESA), and also re-assessments of individual claimants, which will result in some of those currently on sickness benefits being moved onto JSA, with a consequent significant drop in their weekly income.

<sup>237</sup> DWP (2011) *Two Year Review of the Local Housing Allowance*. London: DWP. <http://www.dwp.gov.uk/docs/lha-review-feb-2011.pdf>

<sup>238</sup> DWP (2012) *Latest on Universal Credit: 20 September 2012 – Additional support for Universal Credit claimants announced*. London: DWP. <http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/latest-on-universal-credit/>

<sup>239</sup> Merrick, N. (2013) 'Universal Credit: 'Carefully selected' tenants struggling to cope with direct payments', *24dash*, 6<sup>th</sup> February: [http://www.24dash.com/news/universal\\_credit/2013-02-06-Universal-Credit-Carefully-selected-tenants-struggling-to-cope-with-direct-payments](http://www.24dash.com/news/universal_credit/2013-02-06-Universal-Credit-Carefully-selected-tenants-struggling-to-cope-with-direct-payments)

Likewise, those working in single homelessness services in Wales commented that these aspects of welfare reform were “*areas of major concern*” and that “*right across organisations, [it] is a major pressure on staff*.” The key issues focused on the process of Work Capability Assessment (WCA) for those on IB/ESA, and in particular the effort involved in appealing decisions wherein vulnerable clients were assessed as capable of work and therefore ineligible for sickness benefits. One organisation noted that every decision they had challenged had been overturned on appeal. Nonetheless, the WCA process was felt to be having a major impact on the wellbeing of vulnerable clients, and also, “*the increased workload for every support worker*” means less time for other support, with drug, alcohol, mental health issues:

*“If you are spending all your time just dealing with awful bureaucratic procedures, that’s taking time away from very important work.”* (Manager, voluntary sector homelessness service)

As elsewhere in the UK, both single and youth homelessness service providers in Wales expressed concern that the Work Programme was not meeting the needs of their clients, and in some cases this could mean that young people in particular could miss out on other more appropriate opportunities for training, education etc.

### **Discretionary Housing Payments and the social fund**

As noted above local authorities have been provided with an increase in their budgets for Discretionary Housing Payments (DHPs) in order to ameliorate the impact of the LHA changes in some cases. DHPs are top-up Housing Benefit payments to close or eliminate the gap between a household’s LHA

entitlement and the rent being demanded by their landlord. Across Great Britain as a whole, provision of an additional £40 million a year over the three years to 2014/15 has been made for the LHA reforms; £60 million is to be provided over the two years 2013/14 and 2014/15 for the social sector size limits; and up to £120 million over those two years for the introduction of the national benefit caps.<sup>240</sup> Subsequently £5 million has been withdrawn from the DHP budget following last minute concessions made to the operation of the bedroom tax (see above). However, only a small proportion of those funds have been allocated to Wales, including just £1.4 million as an initial allocation to mitigate the impact of the LHA reforms.<sup>241</sup> In part, this reflects the lower anticipated impact of the LHA reforms in Wales, and in particular that no LHA rates in Wales are subject to the national cap on those rates.

The pattern of local authority usage of the initial LHA facility is not yet clear, and thus the impact it has had for claimants impacted by the LHA changes. The use of those budgets is wholly a matter for local authority discretion and the only certainty, therefore, is that the pattern of usage will vary from one area to another. It would not, however, be surprising if at least some authorities tended to prioritise their use of the fund for those households where it would have a potential legal duty to secure accommodation under the (current) homeless legislation.

More generally, this reliance on discretionary arrangements to play such a major role in supplementing the underlying national welfare system must be seen as inherently challenging, and problematic. There are issues around not just local authorities’ different priorities, and the extent to which they make use of the budget provisions, but

<sup>240</sup> DWP (2012) *Discretionary Housing Payments: Public Consultation*. London: DWP. <http://www.dwp.gov.uk/docs/discretionary-housing-payments-consultation.pdf>

<sup>241</sup> DWP (2011) ‘Housing Benefit reforms continue as extra funding is given to Local Authorities’, *DWP Press Release*, 2<sup>nd</sup> February: <http://www.dwp.gov.uk/newsroom/press-releases/2011/feb-2011/dwp013-11.shtml>

about the effective co-ordination of policies and administration between the benefit and homelessness divisions within each authority.

Linked with this, with the introduction of the Universal Credit regime, the centralised social fund to deal with benefit claimants exceptional needs and circumstances will be abolished. The provisions for Budgeting Loans and alignment Crisis Loans will remain part of the central national benefit system, but will be reconfigured. However the central provisions for Community Care Grants and Crisis Loans for living expenses will come to an end, to be replaced by locally based schemes from April 2013.<sup>242</sup>

In England, LAs are to be provided with some limited additional UK Government funding, which they may use at their discretion to either fill the gap left by the abolition of those centralised provisions, or to otherwise provide selective additional support to households where they deem it to be appropriate. There will be no formal duty for LAs to undertake those functions, nor any new powers proposed. In Scotland, LAs will undertake these new responsibilities in the context of a Scottish Welfare Fund established, with additional funds, by the Scottish Government.<sup>243</sup> In contrast, Wales has decided to use its devolved funding, of £10 million a year for the next two years, to set up a centralised scheme for Wales as a whole, partly to avoid concerns about a 'postcode lottery'. It has also decided that the schemes will only provide grants; and not loans.<sup>244</sup>

In adopting this approach, the Welsh Government is giving local government less of a role in attempting to mitigate the welfare reforms than is going to be the case in

England and Scotland. However, there remain other unresolved details of the Universal Credit scheme, including the arrangements in respect of the current 'passport benefits'. This is another area where it is possible that LAs in Wales and elsewhere could find themselves asked to take on responsibility for issues that are difficult to resolve within the centralised national welfare scheme.

#### 4.5 Key Points

- The patchy and inconsistent nature of responses to homelessness across Wales was a matter of concern to many interviewees, as was the uneven nature of data collection.
- The first ever Housing Bill for Wales, expected in Autumn 2013, is likely to introduce radical reforms to the statutory homelessness framework, providing statutory backing for a more prevention-focused approach. The proposed new homelessness 'prevention and alleviation' duties appear to command general support in Wales, but there is intense debate on specific elements, particularly the proposals to retain priority need and local connection tests while reasonable steps are taken to alleviate homelessness, and the proposed duty for local authorities to provide interim accommodation if households have 'nowhere safe to stay'.
- Important recent changes in the administration and governance of SP funds in Wales – as well as a redistribution of these funds between Welsh LAs – may have significant implications for the funding of homelessness services in some areas.

<sup>242</sup> DWP (2011) *Local support to replace Community Care Grants and Crisis Loans for living expenses: A call for evidence*. London: DWP. <http://www.dwp.gov.uk/docs/social-fund-localisation-call-for-evidence.pdf>

<sup>243</sup> Scottish Government (2012) 'Protecting Scotland's poorest', *Scottish Government Press Release*, 21<sup>st</sup> October: <http://www.scotland.gov.uk/News/Releases/2013/03/scottish-welfare>

<sup>244</sup> Welsh Government (2012) 'Welsh Social Fund Contract Awarded', *Welsh Government Press Release*, 15<sup>th</sup> November: <http://wales.gov.uk/news-room/housingandcommunity/2012/6764429/?lang=en>

- While the caps on maximum LHA rates do not in practice affect Wales, the national benefit cap is expected to restrict benefits for some 1,500 households in Wales, including 6,000 children.
- In all areas of Wales, LHA case numbers continued to grow despite the introduction of the reduced LHA rates based on 30<sup>th</sup> percentile rents. While Ministers had hoped to see rents fall in response to the lower LHA rates, in most areas of Wales, LHA rates tended to rise in the first year of operation under the new regime.
- There are strong concerns about the impact of the 'bedroom tax' on 44,000 households in the social rented sector, given the limited capacity to assist households with moves to smaller accommodation, as well as the rigidity of the rules in respect of households whose circumstances are not adequately reflected in the bedroom standard.
- Overall, the welfare reforms will reduce claimant household incomes in Wales by over £1 billion by 2015/16. Three of the top ten local areas in Britain most adversely affected by the reforms are located in Wales.
- The Welsh Government aims to provide some 7,500 new 'affordable' homes over three years. However, it is difficult to see how this will be achieved in the current financial climate, and with the relatively low priority this target has effectively been given by the Welsh Government.
- Housing policy is likely to take on a far more distinctive character in the coming years, as the Welsh Government begins to make more use of its recently acquired greater legal powers.

## 5. Baseline for homelessness in Wales in 2012

### 5.1 Introduction

Previous chapters have reviewed the likely implications of both the economic climate and policy change for homelessness. In this chapter we a) assess whether any statistical trends on homelessness are as yet in evidence, and b) provide a baseline against which to measure the impacts on homelessness of policy change and/or any lagged impacts of the recession over the next three years.

The chapter analyses recent trends in homelessness ‘demand’ under the four headings used throughout this report: rough sleeping, single homelessness, statutory homelessness and hidden homelessness. Where possible, the analysis focuses in particular on trends in the years immediately leading up to the change of UK government in 2010. The overall aim here is to determine trajectories already established in advance of the policy and public spending agenda introduced under the new UK administration. We have also sought to identify early indications of subsequent trends, and the analysis therefore covers data up to June 2012 insofar as possible.

The analysis is based, in the main, on published statistics. However, in interpreting these figures we also draw on key informant interviews undertaken by the research team in 2012. It should be noted that the statistical data available on homelessness in Wales is more limited than that available for England and Scotland.

### 5.2 Rough sleeping

Rough sleeping is monitored in Wales only on an occasional basis. In 2007 and 2008,

however, the Welsh Government co-ordinated national rough sleeper counts. Undertaken by local authorities in collaboration with local agencies, these surveys produced estimates as follows. In March 2007, 138 rough sleepers were enumerated across the country; in March 2008 the national total was 124. In both years, the largest single concentration was in Cardiff where 26 rough sleepers were enumerated on each occasion.

In relation to population, the 2007 and 2008 figures for Wales are somewhat higher than the 2007/08 figure for England.<sup>245</sup> However, the difference may result from methodological inconsistency rather than true variation in the incidence of rough sleeping.

The key stakeholders interviewed reported that rough sleeping was “*increasing in Cardiff, certainly*”, but appeared stable in other urban centres such as Swansea and Newport. While this Cardiff increase was reported as very recent (over the past 18 months or so), no definite link was made with any lagged effect of the recession. Increased pressure on emergency shelters and hostels was also noted in Cardiff, and a strong link made here with inward migration of vulnerable people from elsewhere in Wales, which was said to have risen in recent years. Some increase in the use of emergency provision by migrants with ‘no recourse to public funds’ was also noted in Cardiff. Since our interviews were conducted, there has been a statement made by the chair of Rough Sleepers Cymru that: “*We are seeing a year-on-year rise in rough sleeping numbers in almost all areas where we provide an outreach service.*”<sup>246</sup> However, there is at present no national level means of verifying these anecdotal reports of increased rough sleeping in Wales.

<sup>245</sup> Pawson, H. & Wilcox, S. (2012) *UK Housing Review 2011/12*. Coventry: CIH.

<sup>246</sup> Heaney, P. (2012) ‘Homeless claims rise in Wales for second year in row’, *BBC News*, 20<sup>th</sup> December: <http://www.bbc.co.uk/news/uk-wales-20790376>

### 5.3 Single homelessness

Drawing on estimates of 'hidden homelessness' in Great Britain in 2002,<sup>247</sup> and applying a simple 'pro rata to population' model, the Mackie team suggested that the number of single homeless people in Wales at that time could have been around 19,000. This represents "the single person

households homeless or threatened with homelessness in Wales, in addition to those already accounted for under local authority homelessness statistics" (p. 29).<sup>248</sup> Within this, there will have been an estimated 1,450 single people living in hostels at that time, but not considered as statutory homeless. Whether these numbers will have changed

**Table 5.1 Citizens Advice Wales caseload trends, 2008/09-2011/12**

	2008/09 (000s)	2009/10 (000s)	2010/11 (000s)	2011/12 (000s)	% change 2010/11- 2011/12	% change 2008/09 - 2011/13
Benefits & tax credits	98	114	139	173	24	75
Consumer goods & services	5	6	6	7	15	33
Debt	113	132	145	143	-2	26
Education	1	1	1	2	8	31
Employment	23	23	28	28	0	25
Financial products & services	5	6	6	7	18	39
Health & community care	2	3	3	3	9	49
Housing	13	15	20	21	6	59
Immigration, asylum & nationality	1	2	2	2	6	47
Legal	10	12	15	16	10	60
Other	2	2	3	4	20	165
Relationships & family	11	13	17	18	4	60
Signposting & referral	7	8	6	6	13	-9
Tax	2	2	3	3	-2	65
Travel, transport & holidays	1	2	2	2	7	48
Utilities & communications	4	4	4	4	-12	-12
All	301	345	402	440	10	46

Source: Citizens Advice – see: [https://www.citizensadvice.org.uk/advice\\_trends](https://www.citizensadvice.org.uk/advice_trends) Note: Figures represent 'advice issues' – i.e. problems on which a client has received advice, not the number of individual clients advised, as one client may be advised on multiple issues.

<sup>247</sup> Kenway, P. & Palmer, G. (2003) *How Many, How Much? Single Homelessness and the Question of Numbers and Cost*. London: Crisis / New Policy Institute. [http://www.crisis.org.uk/data/files/document\\_library/research/howmanyhowmuch\\_full.pdf](http://www.crisis.org.uk/data/files/document_library/research/howmanyhowmuch_full.pdf)

<sup>248</sup> Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysishomelesslegn.pdf>

**Table 5.2 Citizens Advice Wales homelessness/arrears-related enquiries, 2008/09-2011/12**

	2008/09	2009/10	2010/11	2011/12	% change 2010/11 - 2011/12	% change 2008/09 - 2011/12
Mortgage & secured loan arrears	5,450	5,857	6,296	6,783	8	24
Social housing rent arrears	2,585	2,678	3,118	3,252	4	26
Private rental arrears	900	995	1,432	1,667	16	85
Actual homelessness	605	591	945	980	4	62
Threatened homelessness	1,629	1,455	2,075	2,205	6	35
LA Homelessness service	253	196	229	246	7	-3
All	14,007	14,450	17,213	18,385	7	31

Source: see Table 5.1

over the past decade is difficult to know, and as the Mackie team note, could only ever provide the broadest of estimates.

Data on the Citizens Advice (CA) caseload provides an insight into trends in underlying housing needs – including those contributing to single homelessness. As shown in Table 5.1, whereas the overall CA caseload grew by 46% in the three years to 2011/12, benefit-related enquiries increased by 75%, while housing cases were up 59%. A finer breakdown of the data (see Table 5.2) reveals that, in combination, cases of actual or threatened homelessness increased by 43% in the three years to 2011/12, and that the main ‘jump’ took place 2009/10 and 2010/11. Also probably significant is the sharp rise in cases associated with private rental arrears – consistent with trends in England as published in the 2012 Homelessness Monitor England.<sup>249</sup>

#### 5.4 Statutory homelessness

In terms of total applications logged by local authorities, statutory homelessness in Wales fell sharply from 2004/05, reaching a nadir in 2008/09 – see Table 5.3. As in England, this coincides with the active promotion and funding of homelessness prevention by the Welsh Government during the period.<sup>250</sup> Subsequently, applications and acceptances have trended generally upwards. In common with the Welsh CA statistics just discussed, the most substantial upward surge was between 2009/10 and 2010/11. However, the trend has been uneven with 2012 seeing a continuing albeit modest increase in applications (up 3% on 2011), while acceptances fell back by 8%. With annual acceptances only 8% above their 2009/10 low point, the situation contrasts markedly with England where the past three years have seen a more consistently rising trend with Q3 2012 figures up by 47% on the Q4 2009 nadir.<sup>251</sup>

<sup>249</sup> Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf)

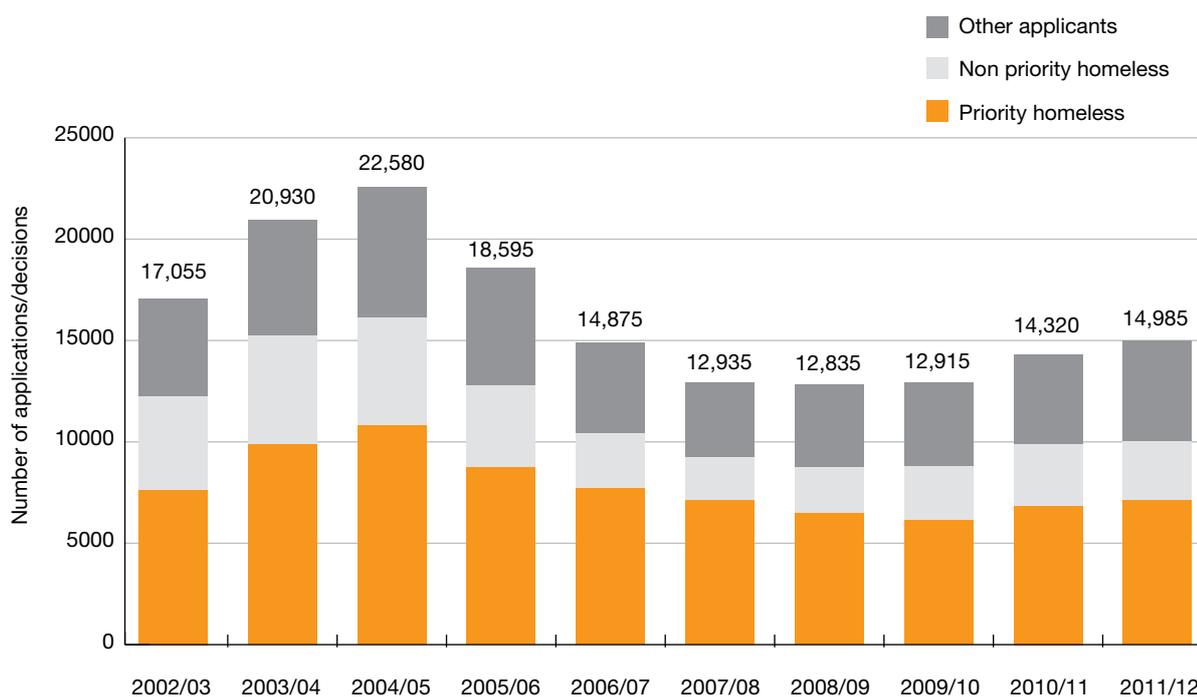
<sup>250</sup> Welsh Assembly Government (2004) *The Prevention of Homelessness: Advice Note*. Cardiff: Welsh Assembly Government <http://wales.gov.uk/desh/publications/housing/preventhomeless/guidee?lang=en>; Welsh Government (2011) *Evaluation of One Year Homelessness Prevention Projects*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120618homelessprojectsfinalreporten.pdf>

<sup>251</sup> Welsh Government (2013) *Homelessness October - December 2012*. <http://wales.gov.uk/docs/statistics/2013/130319-homelessness-october-december-2012-en.pdf>

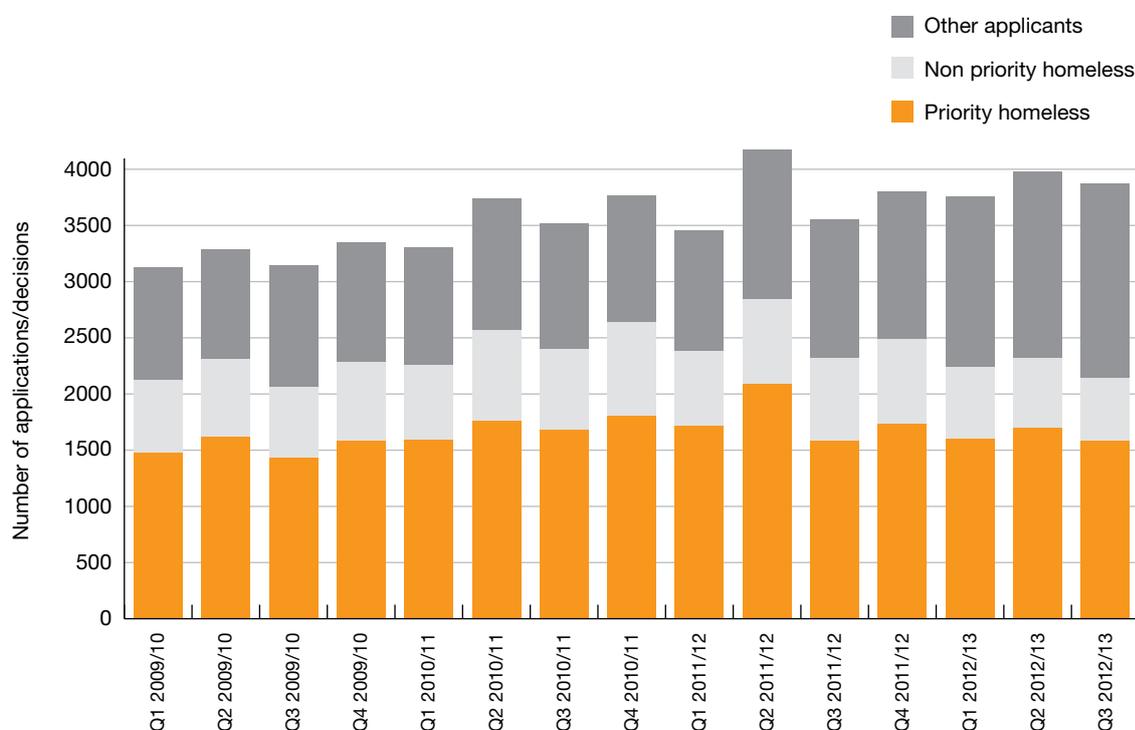
**Table 5.3 Statutory homelessness assessment decisions, 2002/03-2011/12**

	Ineligible	Not homeless	Non priority homeless	Priority homeless		All
				Intentionally homeless	Unintentionally homeless	
2002/03	40	4,775	4,610	655	6,975	17,055
2003/04	60	5,650	5,370	705	9,145	20,935
2004/05	80	6,370	5,320	955	9,855	22,580
2005/06	110	5,680	4,080	915	7,810	18,595
2006/07	60	4,370	2,750	895	6,800	14,875
2007/08	55	3,650	2,125	740	6,365	12,935
2008/09	70	4,015	2,260	625	5,865	12,835
2009/10	85	4,040	2,670	555	5,565	12,915
2010/11	100	4,365	3,010	590	6,255	14,315
2011/12	120	4,825	2,910	615	6,515	14,985
% change 2009/10-2011/12	41	19	9	11	17	16

Source: Welsh Government

**Figure 5.1 The changing incidence of statutory homelessness in Wales, 2002/03-2011/12**

Source: Welsh Government

**Figure 5.2 The changing incidence of statutory homelessness in Wales, 2008/09-2012/13**

Source: Welsh Government

Financial year trends in the incidence of statutory homelessness in Wales can be discerned from the summarised statistics set out in Figure 5.1. However, as emphasised by Figure 5.2, the pattern has been uneven and – with respect to statutory homelessness acceptances – recently declining rather than increasing.

As shown in Table 5.4, the pattern of recently increasing homelessness is quite complex and not easily explicable. While total acceptances in 2011/12 were up by 17% on their low point in 2009/10, rates of increase have varied substantially across different homelessness causes. Loss of accommodation resulting from institutional discharge has increased by 41% (almost all

of which will relate to ex-prisoners), while homelessness due to loss of rented or tied accommodation is up by 37%.

Because the official ‘reason for homelessness’ typology (see Table 5.4) differs from that used in England, it is difficult to be sure whether recently rising overall homelessness numbers is substantially originating in the PRS as observed in England.<sup>252</sup> While loss of accommodation resulting from Assured Shorthold Tenancy (AST) termination would be recorded in the ‘loss of rented /tied accommodation’ category, this category will also include social housing evictions. While there was little indication amongst the local authorities we interviewed that the ending of ASTs was

<sup>252</sup> Fitzpatrick, S., Pawson, H., Bramley, G. & Wilcox, S. (2012) *The Homelessness Monitor: England 2012*. London: Crisis. [http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor\\_England\\_2012\\_WEB.pdf](http://www.crisis.org.uk/data/files/publications/HomelessnessMonitor_England_2012_WEB.pdf)

**Table 5.4 Statutory homelessness acceptances broken down by main immediate cause of homelessness**  
**(a) Households**

	Family/ friend exclusion	Relation- ship break- down	Violence or harass- ment	Mortgage or rent arrears	Loss of rented/ tied accomm- odation	Institu- tional discharge	Other	Total
2002/03	2,005	1,655	180	335	1,465	575	760	6,975
2003/04	2,505	2,220	380	400	1,815	820	1,010	9,145
2004/05	2,910	2,170	355	420	2,330	980	690	9,855
2005/06	2,380	1,770	240	305	1,700	955	460	7,810
2006/07	2,095	1,405	210	310	1,340	965	480	6,800
2007/08	1,860	1,305	185	315	1,230	805	665	6,365
2008/09	1,750	1,295	180	320	1,025	770	525	5,865
2009/10	1,755	1,215	195	260	890	810	435	5,565
2010/11	1,655	1,315	230	295	1,260	1,040	460	6,255
2011/12	1,820	1,370	255	315	1,220	1,145	395	6,515
% change 2009/10- 2011/12	4	13	31	21	37	41	-9	17

**(b) Percentages**

	Family/ friend exclusion	Relation- ship break- down	Violence or harass- ment	Mortgage or rent arrears	Loss of rented/ tied accomm- odation	Institu- tional discharge	Other	Total
2002/03	29	24	3	5	21	8	11	100
2003/04	27	24	4	4	20	9	11	100
2004/05	30	22	4	4	24	10	7	100
2005/06	30	23	3	4	22	12	6	100
2006/07	31	21	3	5	20	14	7	100
2007/08	29	21	3	5	19	13	10	100
2008/09	30	22	3	5	17	13	9	100
2009/10	32	22	4	5	16	15	8	100
2010/11	26	21	4	5	20	17	7	100
2011/12	28	21	4	5	19	18	6	100

Source: Welsh Government

rising substantially as a cause of statutory homelessness, the insecure and expensive nature of the PRS was raised as a significant problem (also see the CA trends discussed above).

Notable in Table 5.4(b) is the observation that the scale of homelessness resulting from mortgage and rent arrears has remained modest. This is significant because these are the causes most obviously associated with economic weakness (via job losses or short time working). The possible reasons for the stability in this pattern were discussed in Chapter 3.

Further clues to the drivers of recently rising statutory homelessness may be discerned from the 'priority need category' breakdown as shown in Table 5.5. Overall, there has been a slightly faster rate of increase in households granted priority status on grounds of vulnerability (up 24% in the two years to 2011/12), rather than due to the presence of children and/or a pregnant woman (up 15%). Discounting the very small categories, the most notable increases here relate to those accepted on the grounds of domestic violence and prison discharge.

**Table 5.5 Statutory homelessness acceptances broken down by priority need category  
(a) Households**

	Household includes										Homeless in emergency	Total		
	Children	Pregnant woman	16-17s	Care leaver/ young person at risk 18-20	Person subject to				Person vulnerable due to					
					Domestic violence	Armed forces discharge	Prison discharge	Old age	Physical disability	Mental illness/ learning disability			Other	
2002/03	3,005	480	750	145	795	40	510	225	250	355	350	70	6,975	
2003/04	3,710	615	935	180	1,190	45	670	310	325	580	510	75	9,145	
2004/05	3,915	725	970	180	1,300	65	825	360	440	670	340	75	9,855	
2005/06	3,130	620	680	170	1,050	50	760	225	325	485	265	55	7,810	
2006/07	2,770	540	685	140	745	30	795	190	270	350	240	40	6,800	
2007/08	2,685	485	550	125	720	35	655	155	290	305	300	60	6,365	
2008/09	2,270	485	525	145	715	25	640	125	345	340	205	45	5,865	
2009/10	1,940	500	585	120	600	25	750	135	345	345	185	40	5,565	
2010/11	2,400	485	460	145	700	30	895	160	380	400	150	45	6,255	
2011/12	2,250	555	460	150	825	40	955	165	440	505	145	25	6,515	
% change 2009/10-2011/12	16	11	-21	25	38	60	27	22	28	46	-22	-38	17	

**Table 5.5 Statutory homelessness acceptances broken down by priority need category  
(b) Percentages**

	Household includes										Homeless in emergency	Total
	Children	Pregnant woman	16-17s	Care leaver/ young person at risk 18-20	Person subject to:			Person vulnerable due to:				
					Domestic violence	Armed forces discharge	Prison discharge	Old age	Physical disability	Mental illness/ learning disability		
2002/03	43	7	11	2	11	1	7	3	4	5	1	100
2003/04	41	7	10	2	13	0	7	3	4	6	1	100
2004/05	40	7	10	2	13	1	8	4	4	7	1	100
2005/06	40	8	9	2	13	1	10	3	4	6	1	100
2006/07	41	8	10	2	11	0	12	3	4	5	1	100
2007/08	42	8	9	2	11	1	10	2	5	5	1	100
2008/09	39	8	9	2	12	0	11	2	6	6	1	100
2009/10	35	9	11	2	11	0	13	2	6	6	1	100
2010/11	38	8	7	2	11	0	14	3	6	6	1	100
2011/12	35	9	7	2	13	1	15	3	7	8	0	100

Source: Welsh Government

### Use of temporary accommodation

Paralleling the reduction in acceptances, temporary accommodation (TA) placements were substantially cut in the four years to 2009/10. Subsequently, however, a rising trend has re-emerged, especially with respect to hostels and B&B hotels – see Table 5.6. Nevertheless, this has not been reflected in overall length of stay in short term housing. While a third of those in TA in March 2012 had been residing there for at least six months, that was down from 40% in March 2010.

### Homelessness prevention

As noted above, the substantial reduction in statutory homelessness recorded in the period 2004/05-2009/10 is probably mainly attributable to increased homelessness prevention activity on the part of LAs. While homelessness numbers have risen since 2009/10, this is likely to result from the

underlying increase in housing stress, rather than reflecting any diminution in prevention activity. Certainly, all of the LAs interviewed emphasised their very pro-active stance on prevention.

Since 2007/08, the Welsh Government has published statistics on homelessness prevention enumerating prevention instances as a percentage of all potentially homeless cases. An analysis of these statistics for the period 2008/09-2010/11 suggests that homelessness was prevented for approximately 60% of potential cases. However, given the variation in prevention rates across LAs (from 98% to 19% in 2010/11), the recent review by Mackie and colleagues questioned the reliability (or, at least, comparability) of these data.<sup>253</sup> Nevertheless, the Mackie team noted (based on analysis of a sample of data from LAs) the possible significance of the generally similar

**Table 5.6 Homeless households in temporary accommodation – snapshot total at financial year end**

	Hostels/ refuges	B&B hotels	Public sector	Private sector and other	Total
2002/03	230	300	455	505	1,490
2003/04	310	690	355	1,530	2,885
2004/05	310	760	460	1,815	3,345
2005/06	450	595	615	1,785	3,445
2006/07	405	380	575	1,795	3,155
2007/08	475	280	445	1,675	2,875
2008/09	510	255	415	1,640	2,820
2009/10	400	235	390	1,465	2,490
2010/11	415	240	435	1,550	2,640
2011/12	485	310	385	1,590	2,770
% change 2009/10- 2011/12	21	32	-1	9	11

Source: Welsh Government

<sup>253</sup> Mackie, P., Thomas, I. & Hodgson, K. (2012) *Impact Analysis of Existing Homelessness Legislation in Wales*. Cardiff: Welsh Government. <http://wales.gov.uk/docs/desh/publications/120131analysishomelesslegen.pdf>

distribution of reasons for homelessness among 'homelessness prevention cases' and among 'all presentations'. This indicated that *"efforts to prevent homelessness are not restricted to a particular cause of homelessness"* (p.25).

At the same time, however, the relatively limited representation in the prevention cohort of people leaving institutional care (particularly prison) was seen as a concern, given that such individuals are easily identifiable. As noted in Chapter 2, the automatic priority status given to homeless ex-prisoners (i.e. without a vulnerability test) is controversial, with some key informants taking the view that one unintended consequence has been that the statutory homelessness system has become a *"substitute for planning prisoner release"* (LA homelessness officer).

### 5.5 Hidden homelessness

People may be in a similar housing situation to those who apply to LAs as homeless, that is, lacking their own secure, separate accommodation, without formally applying or registering with a LA or applying to other homelessness agencies. Such people are often referred to as 'hidden homeless' (see Chapter 2). A number of large-scale household surveys enable us to measure some particular categories of hidden homelessness: *concealed households*; households who are *sharing* accommodation; and *overcrowded* households. However, surveys covering Wales with appropriate questions consistently over time are less readily available than is the case for England and Scotland.

#### Concealed households

Concealed households are family units or single adults living within other households,

who may be regarded as potential separate households that may wish to form given appropriate opportunity. Examples could include: a married or cohabiting couple living with the parents of one of the couple; a lone parent with child(ren) living with her parent(s); a young adult living with his/her parents or some other relative; a young adult living in a flat- or house-share with other unrelated adults; an adult living informally, and temporarily, in someone else's home.

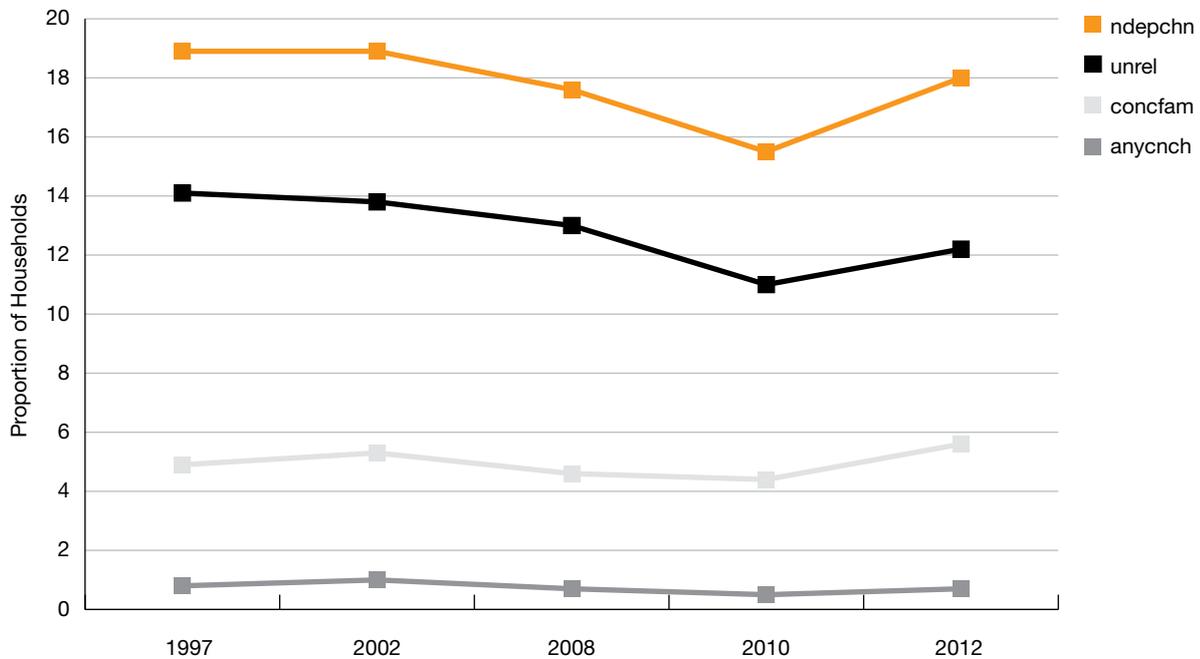
The Labour Force Survey (LFS) asks questions about the composition of the household which enable the presence of 'additional family units' to be identified. This survey only approximates to the ideal definition of 'concealed households', as it does not necessarily distinguish those who would currently prefer to remain living with others from those who would really prefer to live separately. Moreover, it may not fully capture all concealed households reliably. For example, people staying temporarily and informally with others may not respond to individual surveys like LFS.

These caveats duly noted, in Wales in 2012 there were about 85,000 households (6.3%) which contained additional family units (Tables 5.7 and 5.8). Of these, 10,000 (0.7%) were cases of couples or lone parent families living with other households ('concealed families'), while 74,000 (5.6%) were cases of one person units excluding non-dependent children of main householder ('unrelated singles').<sup>254</sup>

In addition, the LFS indicated that a further 162,000 households in Wales contained non-dependent children who were not lone-parents or couples. This group should also be considered in a wider definition of potential concealed households.

<sup>254</sup> It should be noted that this part of the analysis is broad brush, and includes groups such as students – we consider later some evidence on how people regard their present living arrangements.

Figure 5.3 Concealed households by category, Wales 1997-2012



Source: Table 5.7. Note: 'ndepchn' means 'nondependent children'; 'unrel' means 'unrelated singles'; 'concfam' means 'concealed families'.

Table 5.7 Households with potential concealed households present by category, country and selected years 1997-2012

Jurisdiction	Year	Non-dep children	Unrelated singles	Concealed families	Any potential concealed
Wales	1997	14.1%	4.9%	0.8%	18.9%
	2002	13.8%	5.3%	1.0%	18.9%
	2008	13.0%	4.6%	0.7%	17.6%
	2010	11.0%	4.4%	0.5%	15.5%
	2012	12.2%	5.6%	0.7%	18.0%
UK	1997	13.9%	5.5%	0.8%	19.3%
	2002	13.1%	5.4%	0.9%	18.6%
	2008	13.5%	6.0%	0.9%	19.8%
	2010	12.2%	5.5%	0.8%	17.9%
	2012	12.1%	5.8%	0.9%	18.1%

Source: Labour Force Survey (Quarter 2 data for 1997-2010; Quarter 1 data for 2012)

**Table 5.8 Households with potential concealed households and number of individuals in concealed households by type, Wales 2012 (number)**

Number of:	Year	Non-dep children	Unrelated singles	Concealed families	Any potential Concealed
Households	2012	161,527	73,575	9,760	237,068
Individuals	2012	208,065	98,556	31,654	338,275

Source: Labour Force Survey, Quarter 1 2012

**Table 5.9 Individuals in potential concealed households by tenure by category and age, UK and Wales 2012 (percent of all individuals, all ages)**

Jurisdiction and tenure	Non-dep children		Unrelated singles	Concealed families	Total
	all	25+			
<b>Wales</b>					
Own	7.9%	3.1%	1.9%	0.8%	10.6%
Soc Rent	6.5%	1.5%	1.5%	1.0%	8.9%
Priv Rent	3.3%	0.8%	11.2%	2.1%	16.6%
Total	6.9%	2.5%	3.3%	1.1%	11.3%
<b>UK</b>					
Own	7.8%	3.2%	1.6%	0.8%	10.3%
Soc Rent	7.9%	3.1%	1.8%	1.4%	11.1%
Priv Rent	3.3%	0.9%	8.5%	1.5%	13.3%
Total	7.1%	2.8%	2.8%	1.0%	10.9%

Source: Labour Force Survey

The trends in these indicators over time are shown in Figure 5.3, as well as Table 5.7. The incidence of potential concealed households has been relatively stable in Wales, with a slight decline from 1997 to 2008, a rather sharper decline to 2010 (mainly in the non-dependent children category), and then some rise again in 2012. The trends in Wales are quite similar to those in England and the UK

as a whole, except that Wales did not share in the general rise between 2002 and 2008.

Table 5.8 indicates that around 340,000 individuals in Wales are in one or other of these categories of potential concealed household. Even excluding singles and non-dependent children aged under 25,<sup>255</sup> this figure would still reach 160,000.

<sup>255</sup> Age 25 has traditionally been the cut-off for lower levels of social security and housing allowance entitlements, and the Prime Minister has indicated that a future Conservative Government may end HB entitlement for the great majority in this age group (see Chapter 4).

The data in Table 5.7 do not indicate a statistically significant difference between Wales and the UK in 2012, in any of the sub-categories or overall incidence of concealed households.

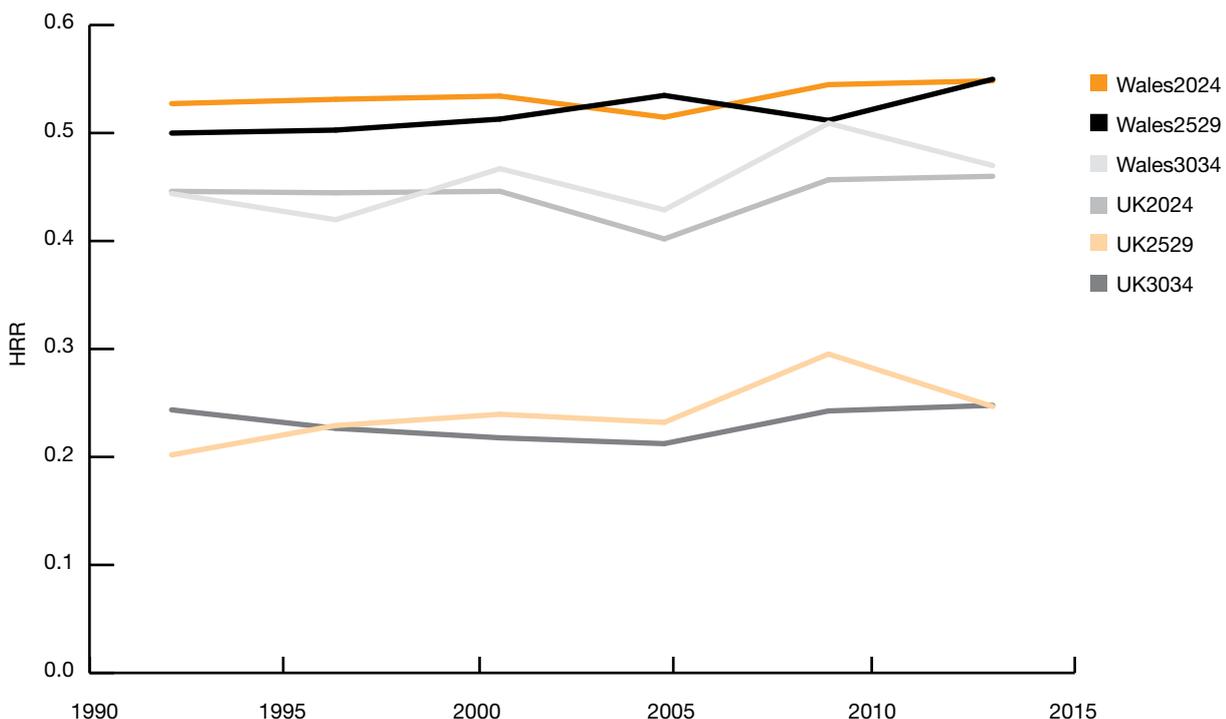
Data on England from the English Housing Survey (EHS) showed that additional family units were clearly more prevalent in more deprived neighbourhoods. We would anticipate that were equivalent data available in Wales a similar pattern would be revealed.

As in the wider UK, but possibly to an even greater extent, these potential concealed households are much more prevalent in private renting, as shown in Table 5.9. This is in part because some students and young people living in flat-shares will be recorded as additional family units. The presence of unrelated singles living with others is much lower in social renting, but the prevalence

of other types (concealed families and non-dependent children) is similar in social renting and owner occupation. Non-dependent children are found to a similar degree across all tenures, but with a higher incidence of those aged over 25 in the owner occupier sector.

We do not have any attitudinal data from surveys covering Wales concerning the intentions or preferences of these groups of potential concealed households. In England, over the 2008 and 2009 survey years the EHS has asked a question, where ‘extra singles’ are present in a household, as to why this person is living there. Overall, answers implying a preference on balance to stay account for between 60% and 65%, while answers implying a preference or intention to move, albeit constrained, or some uncertainty, account for 35-40% of cases. Similar proportions appear to apply

Figure 5.4 Household representative rates by age (20-34) in Wales and UK 1992-2012



Source: Labour Force Survey

to both non-dependent children (40%) and to other single household members (36%), and to those over and under 25 within each category. If these proportions are applied to Wales, that would imply 91,000 households containing at least one concealed single household, involving 119,000 individuals. This would be in addition to approximately 10,000 concealed lone parent/couple families.

Another indirect indicator of concealed households is (reduced) household formation. The propensity of individuals within given age groups to form ('head') separate households is a conventional way of measuring household formation. It is particularly interesting to look at the age groups between 20 and 34, as in Figure 5.4, as this is traditionally the main period when people leave the parental home and form new households (the increase in higher education participation has tended to affect the age groups below 25).

Over the last two decades in Wales, household headship for these age groups tended to start at a lower rate, but show more of an increase than for the UK. In the UK (and more especially the south of England), headship rates tended to fall for the younger age groups, particularly between 2002 and 2008. This fall was also seen in Wales, particularly for the 25-29 group after 2002, but not for the 30-34 group. Between 2008 and 2010, headship for these younger groups rose quite sharply in the UK, before falling back or moderating in 2012. Wales saw a similar pattern, rising then falling back, except for the 30-34 group where 2010 was something of an interruption to a generally rising trend. This may have been because of the 'cohort effect' of people who were 25-29 in the previous period and experiencing lower household headship carrying this forward into the next age group. Despite these trends and fluctuations, at the end of the period (2012) headship rates for each group were very similar in Wales to their values in the UK as a whole.

We interpret the main trends on concealed households in Wales in the same way as for the wider UK. Worsening housing affordability and more restricted access to social rented housing depressed household formation, particularly for the 25-34 age group and in the period 2002-2008 especially. However, this effect was not as pronounced in Wales as in the south of England. How do we explain the 'bounce' upwards in 2010, despite the financial crisis and the recession? Our main hypothesis is that the very large rise in private rented sector lettings across the whole of the UK, including Wales, helped to enable more households to form (see Chapter 3). In addition, in 2010 there was some easing of the recession. However, in 2012 we have a 'double dip' recession, cutbacks on LHA, and possibly a move to sell by some of the 'involuntary landlords' (owners who could not sell after 2007 and let temporarily) (see Chapter 3).

### **Households sharing accommodation**

A 'household' is one person or a group of people who live at the same address and share either regular meals or a living room. It follows that 'sharing households' are those households who live together in the same dwelling, but who do not share either a living room or regular meals together. Sharing reflects some of the same characteristics as concealed households, namely an arrangement people make when there is not enough separate accommodation which they can afford or access. For example, some 'flat-sharers' will be recorded as concealed households, and some will be recorded as sharing households, depending on the room sizes and descriptions. Traditionally, sharing was a major phenomenon, with many households sharing in different ways, as 'lodgers', living in bedsitters or multi-occupied rooming houses. As shown below, this is less true today.

**Table 5.10 Sharing households in Wales and UK by tenure, number sharing, region and household type, 2012 (per cent of households)**

Tenure	Wales	UK	Household type	Wales	UK
Own	0.3%	0.8%	Single	2.7%	4.2%
Soc Rent	0.0%	1.4%	Lone parent	0.0%	1.1%
Priv Rent	6.4%	5.0%	Couple/2 adult	0.0%	1.7%
Total	1.2%	1.6%	Couple + 1 kid	1.0%	0.9%
Number sharing			Couple + 2 kids	0.0%	1.1%
2 hhd	0.7%	0.5%	Couple 3+ kids	0.0%	0.6%
3 hhd	0.0%	0.3%	Multi adult	1.8%	1.2%
4-9 hhd	0.5%	0.8%	Single pens	4.0%	1.2%
10+ hhd	0.0%	0.2%	Couple pens	0.5%	0.5%
			Total	1.2%	1.6%

Source: Labour Force Survey 2012; Quarter 1

Table 5.10 provides a profile of sharing in Wales and the UK in 2012. According to the LFS, 1.2% of households in Wales shared in that year (about 16,000 households), compared with 1.6% across the whole UK. So sharing is relatively rare now, and less common in Wales than in the UK (it is most prevalent in London). Sharing is more common for single person households (2.7%), but is still found amongst small families (1.0%). Sharing is particularly concentrated in private renting (6.4%) and occurs in the owner occupier sector (0.3%). Over half of sharers share with one or two other households in the UK, but there are quite a few sharing households who share with a larger number of other households.

Sharing has seen a long-term decline, which may reflect improving housing availability, but also probably changes in private renting and its regulation. Traditional multi-occupied houses where people rented rooms have declined, as a result of HMO regulation, HB/

LHA restrictions, general stock upgrading, and the new buy-to-let investment. The trajectory of sharing over time showed a pronounced decline in the 1990s and a slight further decline in the early-to-mid 2000s, followed by an apparent increase in the last two years. Wales tracked the UK decline at a lower level, falling from 2.2% in 1997 to 1.0% in 2010, before rising slightly to 1.2% in 2012. This increase appears to evidence the impact of constrained access to housing following the 2007 credit-crunch and the subsequent recession.

One reason to expect some further increase is the extension of the 'Shared Accommodation Rate' (SAR) to 25-34 year olds (see Chapter 4). DWP have estimated that, as the result of this change to the age threshold, a further 62,500 people in the UK will become eligible for the SAR rather than the one bedroom property rate, roughly doubling the demand for shared accommodation if claimants do not access

**Table 5.11 Under-occupation by tenure and age in Wales 2009/10**

Age	Spare Bdrms	Own	Soc	PR	Total
Retirement age	0	3.4%	32.9%	21.7%	8.7%
	1	29.0%	38.4%	43.5%	31.1%
	2	67.6%	28.8%	34.8%	60.2%
	Total	100.0%	100.0%	100.0%	100.0%
Working age	0	22.0%	58.5%	37.7%	31.6%
	1	39.6%	29.7%	45.5%	38.6%
	2	38.4%	11.8%	16.9%	29.8%
	Total	100.0%	100.0%	100.0%	100.0%

Source: Understanding Society, Wave 1

other housing options.<sup>256</sup> But for the reasons given above, coupled with the existing demand pressures on a limited supply of shared accommodation,<sup>257</sup> we would anticipate many of the additional people affected by the SAR to become ‘concealed households’ rather than sharing households.

### Overcrowding

There is a general consensus that overcrowding is an important type of housing need to be addressed, and some would argue that it constitutes homelessness, in its more extreme forms. There is also considerable concern that this problem has got worse in the last decade. The most widely used official standard is the ‘bedroom standard’. Essentially, this allocates one bedroom to each couple or lone parent, one to each pair of children under 10, one to each pair of children of the same sex over 10, with additional bedrooms for individual children over 10 of different sex and for additional adult household members. This measure is implemented in household surveys, including EHS, and while some would argue that it is overly conservative, when even this very

basic threshold is not being met it is likely to be treated as a priority over achieving higher standards.

Overcrowding has actually increased to quite a pronounced extent since 2003 in England, from 2.4% to 3.0% of all households, reversing previous declining trends. In Wales, we do not have consistent trend data over time. The pilot for the new National Survey for Wales gives a figure of 2.0% of all households in 2011. This suggests a lower level of overcrowding than in England. This may reflect a lower level of pressure in the market and less minority ethnic and immigrant households.

Data from the longitudinal Understanding Society survey (which now incorporates the British Household Panel Survey) indicates that, in Wales, to a greater extent than elsewhere in UK, crowding seems to be particularly prevalent in social renting.<sup>258</sup>

### Under-occupancy

Under-occupancy is considered here because it is, in a sense, the mirror image

<sup>256</sup> Centre for Housing Policy, University of York (2011) *Unfair Shares: A Report on the Impact of Extending the Shared Accommodation Rate of Housing Benefit*. London: Crisis. <http://www.york.ac.uk/media/chp/documents/2011/unfairshares.pdf>

<sup>257</sup> Ibid.

<sup>258</sup> Although we have not been able to exactly match the bedroom standard calculation in our analysis of the Understanding Society dataset.

of overcrowding. Moreover, given the introduction of the Housing Benefit 'bedroom tax' for claimants of working age living in social housing from April 2013 (see Chapter 4), under-occupation in the social sector is an issue of growing policy relevance, not least with respect to future homelessness trends. It is possible to make an approximate estimate of the incidence of under-occupation in Wales using the same analysis as was used for exploring crowding, based on Understanding Society data. The following table looks at households with one spare bedroom, and those with two or more spare, by tenure and whether the household is of working age. The data refer to the first wave of this new longitudinal survey for 2009/10. Note that the way these numbers were calculated implies that they may be an under-estimate of under-occupation (and they may somewhat over-estimate overcrowding).

The table suggests that under-occupation by one or more bedrooms is very common in Wales and applies across the tenures and age groups. The incidence is much higher in owner occupation than in social renting, and this is especially so for two or more spare bedrooms. The incidence is also significantly higher for retirement age households. Nonetheless, almost one third (30%) of working age social tenants have one spare bedroom, while 12% have two or more spare bedrooms. This equates to 72,400 social renter working age households with one or more spare bedrooms and 20,600 with two or more spare.

Given that half or more of Welsh social sector tenants are in receipt of HB,<sup>259</sup> this would suggest that at least 36,000 social tenants are likely to be affected to some degree,

and 10,000 affected significantly, by under-occupancy reductions in their HB entitlement (the DWP estimate is even higher, indicating that a total of 44,000 social sector tenants in Wales will see some reduction in their benefit entitlement as a result of the bedroom tax).<sup>260</sup>

## 5.6 Key points

- The data available on rough sleeping is extremely limited in Wales, but there are some indications of a recent rise in Cardiff.
- After a sharp decline between 2004/05 and 2009/10, associated with the widespread adoption of more pro-active preventative approaches by Welsh local authorities, statutory homelessness applications and acceptances have subsequently trended upwards in Wales, but more modestly and less consistently than seen in England. Applications in 2012 were up by 3% on the previous year and stood 19% higher than in 2009/10. Conversely, acceptances actually fell back by 8% in 2012, although remaining 8% higher than in 2009/10.
- The profile of statutorily homeless households appears relatively stable overall, though there is a continued growth in both the relative and absolute importance of institutional release (overwhelmingly from prison) as an immediate cause of homelessness. Mortgage/rent arrears as a cause of statutory homelessness remains at a modest level (5%).
- Cases of actual or threatened homelessness dealt with by Citizens Advice (CA) increased by 43% in the three

<sup>259</sup> The Understanding Society survey data includes a flag for receiving HB, but it is not clear that this correctly records all cases, as the number and share of social renters receiving HB appears too low in Wales. This may be because not all tenants responded appropriately or perhaps because they pay a net or rebated rent and may not be aware of the HB or think to mention it at the relevant point of the interview. In addition, the Wales sample is quite small by the time you get to this level of analysis.

<sup>260</sup> DWP (2012) *Housing Benefit: Under Occupation of Social Housing – Impact Assessment (Updated)*. London: DWP. <http://www.dwp.gov.uk/docs/social-sector-housing-under-occupation-wr2011-ia.pdf>

years to 2011/12, with a particularly large rise in cases associated with private rental arrears. As with statutory homelessness acceptances, most of the increase in CA homelessness cases occurred between 2009/10 and 2010/11.

- The number of concealed households has been fairly static in Wales, with a certain decline in 2010 partially reversed in 2012. In 2012, there were an estimated 91,000 households containing at least one concealed single household, involving 119,000 individuals. This is in addition to approximately 10,000 concealed lone parent/couple families.
- There has been some slowing down in new household formation, particularly in the 25-34 group, mainly because of affordability and access problems, although this is less marked in Wales than in England. Recent fluctuations probably reflect changes in the private rented sector supply and, most recently, the 'double dip' recession and welfare benefit changes.
- After a long-term decline, there has been an increase in the number of sharing households in the last two years. The decline, and then subsequent rise, of this indicator has tracked trends in the UK, but at a slightly lower level. In 2012, there were about 16,000 households sharing in Wales (1.2%).
- Overcrowding affected around 26,000 households (2.0%) in Wales in 2010. It appears to be much more common in social renting.
- Overall, the data available on homelessness in Wales is substantially more limited than that available in England and Scotland.

## 6. Conclusions and future monitoring

This is a concerning time for homelessness both in Wales and in the UK as a whole: the significant weakening of the welfare safety net in a context of wider recessionary pressures and worsening housing market conditions, seems very likely to have a negative impact on many of those vulnerable to homelessness.

Drawing on detailed statistical analysis and qualitative interviews with selected key informants across the country, this report has sought to provide an independent analysis of the homelessness impacts of these recent economic and policy developments in Wales. It has considered the effects of the post-2007 economic and housing market recessions and the welfare reforms being implemented by the current UK Coalition Government, as well as the implications of relevant Welsh Government policies. Impacts on all four of the following homeless groups were considered: people sleeping rough; single homeless people living in hostels, shelters and temporary supported accommodation; statutorily homeless households; and 'hidden homeless' households (living in overcrowded conditions, and also 'concealed' and 'sharing' households). This is the first year report in a four-year longitudinal study, and it provides a 'baseline' account of how homelessness stands to date in 2012, as well as highlighting already emerging trends and forecasting some of the likely changes over the next three years.

Overall, the data available on homelessness in Wales is substantially more limited than that available in England and Scotland; a finding that is strongly linked to the patchy and inconsistent nature of responses to homelessness across Wales. In particular, Welsh data on *rough sleeping* is extremely limited, though there are some indications of a recent rise in Cardiff and anecdotal reports of rises elsewhere.

After a sharp decline between 2004/05 and 2009/10, associated with the widespread adoption of more pro-active preventative approaches by Welsh local authorities, *statutory homelessness* applications and acceptances have subsequently trended upwards in Wales, but more modestly and less consistently than seen in England. Applications in 2012 were up by 3% on the previous year and stood 19% higher than in 2009/10. Conversely, acceptances actually fell back by 8% in 2012, although remaining 8% higher than in 2009/10. In line with the upward trend in homelessness applications in Wales, is the finding that cases of actual or threatened homelessness dealt with by Citizens Advice (CA) increased by 43% in the three years to 2011/12, with a particularly large rise in cases associated with private rental arrears. Interestingly, with respect to both statutory homelessness and CA homelessness cases, most of the increase occurred between 2009/10 and 2010/11.

The profile of statutorily homeless households appears relatively stable overall in Wales, though there is a continued growth in both the relative and absolute importance of institutional release (overwhelmingly from prison) as an immediate cause of homelessness, prompting calls for review of the automatic priority need status of this group as part of a more comprehensive restructuring of the Welsh statutory homelessness system (see below). While much of the anxiety surrounding recessionary impacts on homelessness focuses on repossessions consequent on rent and mortgage arrears, these factors continue to account for only a very small proportion of all statutory homelessness cases in Wales, as elsewhere in the UK. Rent arrears levels do not in fact appear closely tied to general economic or housing market conditions, and the combined impact of low interest rates and lender forbearance has thus far held down levels of repossession in the

current recession, with new repossession actions actually falling quite sharply in 2012. Though some expect repossession levels to rise going forward, especially since the reduction in the standard interest rate applied for Support for Mortgage Interest (SMI), qualitative evidence from across the UK indicates that most repossessed households manage to find at least an interim solution via family or friends, or by securing a private tenancy, so we may still see little impact on levels of statutory homelessness. The substantial growth in the private rented sector (PRS) as a 'flexible' tenure is clearly important in this context, but it is possible that such arrangements in the PRS, or with family and friends, may simply be short-term 'fixes', providing only a temporary respite from homelessness, rather than preventing it.

The picture on 'hidden' forms of homelessness in Wales is rather more mixed than that in England, probably reflecting a somewhat less pressured housing market. Thus the number of *concealed households* has been fairly static in Wales, with a certain decline in 2010 partially reversed in 2012. In 2012, there were an estimated 91,000 households containing at least one concealed single household, involving 119,000 individuals. This is in addition to approximately 10,000 concealed lone parent/couple families. There has been some slowing down in new household formation in Wales, particularly in the 25-34 group, mainly because of affordability and access problems, although this is less marked than in England. Recent fluctuations probably reflect changes in the PRS supply and, most recently, the 'double dip' recession and welfare benefit changes. After a long-term decline, there has been an increase in the number of *sharing households* in Wales in the last two years. The decline, and then subsequent rise, of this indicator has tracked trends in the UK but at a slightly lower level. In 2012, there were about 16,000 households sharing in Wales (1.2%). *Overcrowding* affected around 26,000 households (2.0%)

in Wales in 2010. While there is no trend data available on overcrowding in Wales, it appears to be much more common in social renting.

In combination with the prolonged economic downturn, ongoing welfare reform seems certain to drive homelessness up yet further in Wales over the next few years. While the caps on maximum LHA rates do not in practice affect Wales, the national benefit cap is expected to restrict benefits for some 1,500 households in Wales, including 6,000 children. As elsewhere in the UK, the 'Shared Accommodation Rate' (SAR) is a major concern, but probably the greatest anxiety – and controversy – focuses on the impact of the 'bedroom tax', estimated to affect as many as 44,000 Welsh social tenants. The limited capacity to assist households affected by the bedroom tax to move to smaller accommodation, as well as the rigidity of the rules in respect of households whose circumstances are not adequately reflected in the bedroom standard, are fuelling similarly high levels of anxiety in Scotland and northern parts of England. As elsewhere in the UK, there are a host of concerns about practical aspects of the introduction of Universal Credit, not least the policy of (in general) making direct payment of housing allowances to claimants, as well as the lowered level of benefits that will be payable to lone parents and larger families.

Housing policy in Wales is likely to diverge much more significantly from that in England in the coming years, as the Welsh Government begins to make more use of its recently acquired greater legal powers. In particular, the first ever Housing Bill for Wales, expected in Autumn 2013, is likely to introduce radical reforms to the statutory homelessness framework, intended to usher in a more prevention-focused approach. The proposed new 'prevention and alleviation' duties appear to command general support in Wales, but there is intense debate on specific elements, particularly the proposals

to retain priority need and local connection tests while reasonable steps are taken to alleviate homelessness, and the proposed duty for local authorities to provide interim accommodation if households have 'nowhere safe to stay'. In next year's study we should be able to review the Housing Bill content in this respect, and it will be interesting to know how satisfied our interviewees are with the altered framework.

With respect to housing policy in Wales more broadly, the critical point to stress is the underlying decline in planned social housing investment levels. While some supplementary capital funding from its share of the UK-wide 'capital package' has been made available by the Welsh Government to support housing and related infrastructure investment, this short-term 'boost' has in practice so far only served to put off that decline for another year. Thus, while the stated target for the Welsh Government is to provide some 7,500 new 'affordable' homes over three years, it is difficult to see how this will be achieved in the current financial climate, and with the relatively low priority this target has effectively been given by the Welsh Government thus far. This also has to be viewed in the context that post-devolution housing expenditure in Wales has consistently formed a lower proportion of government expenditure than in England (in virtually every year), let alone the much higher priority given to housing expenditure in post-devolution Northern Ireland and Scotland. These policy factors are contributing to growing pressure on affordable housing stock in Wales, which in turn may contribute to upward pressure on both visible and hidden forms of homelessness.

At the same time, general housing market stress, while still less acute than that in England, is continuing to worsen in Wales, with declining access to home ownership for first time buyers increasing demand for both of the rental sectors. Though the PRS has grown by 50% in Wales over the

past decade, there are doubts about the likely availability of private lettings to lower income households in the coming years, as a result of both the squeeze from frustrated potential first time buyers and welfare benefit restrictions.

The next three years is a crucial time period over which the intensifying homelessness impacts of the recession are likely to be severely exacerbated by the UK Government's radical welfare reforms. As well as tracking headline trends on homelessness till 2015, we will also attempt to ascertain the profile of those affected by both visible and hidden forms of homelessness, and whether there is any evidence of a change in this as the impacts of recession and welfare reform are played out over the next few years.

The evidence provided by this Homelessness Monitor over the next three years will provide a powerful platform for assessing the impact of economic and policy change on some of the most vulnerable people in Wales.

## Appendix 1 Topic guide for key informant interviews: Round 1 (2012) voluntary sector

### 1. Introduction

- Explain nature and purpose of research
- Their job title/role; how long they have been in that position/organisation
- Nature of organisation – nature of service(s) provided; geographical coverage; homeless groups they work directly with (rough sleepers, single homeless, young homeless, homeless families, statutory homeless, hidden homeless etc.)

### 2. Impacts of recession/economic context

- Has there been an impact of the current recession/economic context on your client group/demand for your services.

*Probe changes in:*

- > nature, size, profile of client group
- > needs of clients
- > triggers for homelessness/crisis situation, etc.
- What are key contextual factors driving this change – rising unemployment; increased conditionality in JSA/ESA; decline in social lets; affordability/deposit barriers to home ownership, etc.
- What is it about these changes that directly impacts on your client group?
- Overall, have these economic developments/context had a positive or negative impact on your client group?
- Have you monitored these impacts in any way? Any evidence you can share with us?
- How do you see these effects developing going forward?

### 3. Impacts of Coalition policies

- Are there any particular Coalition policies/proposals that are likely to impact significantly on your clients/service users and demand for your services?

*Probe:*

- > welfare reform;
- > LHA restrictions (30<sup>th</sup> percentile rule; SRR extension to 35; LHA caps);
- > cuts in HB for under-occupiers in SRS;
- > uprating of HB non-dependent deductions;

- > overall household benefit caps;
- > Universal Credit, etc
- What impact will they have – positive or negative?
- What is it about these policy changes that will directly impact on your client group/what is the process by which it will affect them?

*Probe:*

- > increase risks of homelessness;
- > make homelessness prevention more difficult;
- > make resolving homelessness more difficult, etc.
- Which policies/impacts are you most concerned about and why?
- When do you think you will start to see these effects/timescale for impacts?
- Will you be monitoring these impacts in any way? When will you have data/evidence to share?

#### **4. Impacts of Welsh Government policies**

- Are there any particular Welsh Government policies/proposals that are likely to impact significantly on your clients/service users and demand for your services?

*Probe:*

- > Welsh homelessness legislation review; Supporting People reforms; social housing reforms
- > Other public sector reforms?

#### **5. Follow up**

- Any other service provider we should speak to?
- Any data/evidence they can give us?
- OK to return to speak to them again this time next year?

## Appendix 2 Topic guide for key informant interviews: Round 1 (2012) local authorities

### 1. Introduction - explain nature and purpose of research

Note respondent job title/role; duration in that position/organisation

### 2. Impacts of recent economic/housing market conditions

(a) Has there been an impact of the **ongoing weakness of the job market and the continuing housing market downturn** on housing need/homelessness in your LA? – e.g. in terms of:

- > rising unemployment leading to more rent/mortgage arrears feeding through to rising evictions/mortgage repossessions?
- > decline in social lets squeezing affordable housing supply?
- > affordability/deposit barriers to home ownership, etc?
- > A8 (or other) migration trends?

(b) Any specific effects on: (i) statutory homeless; (ii) rough sleepers; (iii) single homeless; (iv) hidden homelessness (sofa surfing, overcrowding etc.)

*Probe:*

- > on any changes in size, nature of client group (e.g. any evidence of ‘middle class homelessness’);
- > factors triggering homelessness (e.g. mortgage/rent arrears, end of short assured tenancies, family pressures, drug/alcohol problems)

(c) What **statistical measures** do you have for changing rates of housing need/homelessness demand in your local authority over the past 2-3 years? – e.g. new housing applications, housing advice caseload statistics. Can you share these with us?

(d) How do you see the impact of **economic and housing market conditions** affecting homelessness over the next year?

### 3. Impacts of Coalition Government welfare/housing benefit reform policies

(a) Are there any particular Coalition housing/housing benefit reform policies/proposals impacting significantly on housing need/homelessness or likely to do so in next 1-2 years?

*Probe:*

- > Welfare reform;
  - > LHA restrictions (30th percentile rule; SRR extension to 35; LHA caps);
  - > cuts in HB for under-occupiers in SRS;
  - > uprating of HB non-dependent deductions;
  - > overall household benefit caps;
  - > Universal Credit, etc
  - > What impact will these changes have – positive or negative?
- (b) Can anything be said about the likely impacts on distinct homelessness groups – i.e. statutory homeless, rough sleepers, single homeless, hidden homeless?
- (c) Which policies/impacts are you most concerned about and why?
- (d) Do you think social landlords will be budgeting to accept higher arrears levels due to HB cuts or will they just evict more people as arrears rise?
- (e) Do you think that a continuing expansion of the private rented sector will help offset rising homelessness by providing more supply at affordable rents?
- (f) What is your authority's experience of whether landlords are accepting lower rents to conform to reduced HB ceilings?

#### 4. Impacts of Welsh Government policies

- a) Are there any specific **Welsh Government policies/proposals** you believe are likely to impact significantly on housing need/homelessness?

*Probe:*

- > Welsh homelessness legislation review;
- > Supporting People reforms;
- > Social housing reforms;
- > Other public sector reforms.

- b) How will these factors impact here?

*Probe:*

- > increase risks of homelessness;
- > make homelessness prevention more difficult;
- > make resolving homelessness more difficult;
- > increase statutory homelessness numbers/demands on social housing.

- c) Can anything be said about how these changes may affect distinct homelessness groups – i.e. statutory homeless, rough sleepers, single homeless
- d) Which policies/impacts are you most concerned about and why?

e) When do you think you will start to see these effects/timescale for impacts? Do you think they will affect some groups more than others?

**5. (If not already fully covered) If statutory homelessness numbers (or homelessness applications) have been rising in your authority, what are believed to be the main underlying drivers of this trend? What evidence is available to support this?**

**6. (If not already fully covered) If rough sleeper numbers have been rising in your authority, what are believed to be the main underlying drivers of this trend? What evidence is available to support this?**

**7. (If not already covered) Are there any local housing, planning or other policies which have impacted or may impact on homelessness demand?**

**8. Follow up**

Any data/evidence/reports to be provided? OK to repeat interview in 2013?

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## About Crisis

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. We measure our success and can demonstrate tangible results and value for money.

We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience.

We have ambitious plans for the future and are committed to help more people in more places across the UK. We know we won't end homelessness overnight or on our own. But we take a lead, collaborate with others and together make change happen.

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ISBN 978-1-899257-86-7

Crisis UK (trading as Crisis). Registered Charity Numbers:  
E&W1082947, SC040094. Company Number: 4024938

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