Work and Pensions Committee

Oral evidence: Support for housing costs in the reformed welfare system, HC 720

Wednesday 4 December 2013

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Written evidence from witnesses:

Chartered Institute of Housing
Community Housing Cymru
Peabody Trust Housing Association
Placeshapers
Riverside
Scottish Federation of Housing Associations

Watch the meeting

Members present: Dame Anne Begg (Chair), Debbie Abrahams, Graham Evans, Sheila Gilmore, Glenda Jackson, Kwasi Kwarteng, Stephen Lloyd, Nigel Mills, Anne Marie Morris, Teresa Pearce, Dame Angela Watkinson.

Questions 75-183

Witnesses: **Gavin Smart**, Director of Policy and Practice, Chartered Institute of Housing, **Duncan Forbes**, Chief Executive of Bron Afon Community Housing, Community Housing Cymru, **Danny Hardie**, Welfare Benefits Adviser, Peabody Trust Housing Association, **Aileen Evans**, Managing Director, Grand Union Housing Group, Placeshapers, **Carol Matthews**, Group Chief Executive, Riverside, and **David Ogilvie**, Policy Manager, Scottish Federation of Housing Associations, gave evidence.

Q75 Chair: Can I welcome you to our second evidence session in our inquiry into housing costs? We do not normally have such a large panel of witnesses, so may I ask you to introduce yourselves for the record, starting with you, Gavin?

Gavin Smart: Thank you. Good morning. Gavin Smart, Director of Policy and Practice at the Chartered Institute of Housing, which is the professional institute for people who work in housing.

David Ogilvie: Good morning. David Ogilvie. I am a policy manager from the Scottish Federation of Housing Associations. We are the trade body for housing associations and co-operatives in Scotland.

Duncan Forbes: Good morning. I am Duncan Forbes. I am the Chief Executive of Bron Afon Community Housing in south-east Wales, and I am here representing Community Housing Cymru, the umbrella body for housing associations in Wales.

Carol Matthews: Good morning, I am Carol Matthews. I am the Group Chief Executive of Riverside. We have 53,500 homes across 173 local authorities in England and in Scotland. We are here to give you some of our on-the-ground experience.

Aileen Evans: Me likewise. I am Aileen Evans; I am Managing Director of Aragon and MacIntyre Housing Associations. I am here today representing Placeshapers, which is an alliance of over 100 community-based housing associations in England and so far one in Wales.

Danny Hardie: I am Danny Hardie. I am a Welfare Benefits Adviser at the Peabody Housing Trust. As a front-line worker, I am hoping I might be able to offer something here today.

Q76 Chair: Thank you very much for that. As I say, we are not used to such a large panel. We have a lot of questions; we will try to be brief—and that is to my colleagues. We will try to be brief in our questioning, and I ask you to be detailed but brief and to the point in your answers, so that we can get through everyone. Please do not feel that every one of you has to answer every question—some will be more relevant to some than to others. That is the only way we are going to get through this session in the time allocated. If I can start with a question to you, Gavin, it is around the whole issue of the benefits cap. I understand you did a survey of Haringey. What did it reveal about the benefits cap's impact on households? What types of households were particularly impacted and in what ways?

Gavin Smart: Thank you. We did some work looking at the experience of the benefit cap between April and August. We found that in Haringey 747 households had been capped at that point. Nearly half of them were in the private rented sector; 40% of them were in temporary accommodation; the rest were local authority and housing association. We discovered that, although those households had been capped, they were still benefiting from discretionary housing payments and from council tax support, so the effect of the cap was being muted, but there were questions about the long-term implications of the cap once those support mechanisms disappeared. We also found that people understood the work incentive that the cap is supposed to deliver, and by that I mean tenants and their advisers, but the movement into work was much more difficult. Of those 747, only about 11% managed either to move into employment or to increase their hours to more than 16 hours. It shows you the distance from the labour market that people are.

Q77 Chair: When you said that a number of them still depended on other sources of income, such as through the local authority through the discretionary housing payment, does that mean that the savings to the taxpayer were not as great as they might have first appeared?

Gavin Smart: I think it does. On the face of it, the benefit cap was saving Haringey about £60,000 a week in terms of benefit expenditure. That is only about 1.2% of their total benefits bill. However, if you then look at the fact that people are receiving discretionary housing payments and the amount of time and money being invested either by the council or by their landlords in terms of support and advice services, it is clear that there was an element of cost coming in through the backdoor and/or cost shunting to other organisations. The savings are not as great as one might imagine.

Q78 Chair: Were you able to quantify that at all?

Gavin Smart: No, not to that degree.

Q79 Chair: Can you extrapolate from what you found in Haringey to the rest of the country or the rest of London, or is a London borough quite different from what is happening elsewhere in the country?

Gavin Smart: You could certainly expect that the pattern that you see in Haringey would not be dissimilar from the pattern you see in other London boroughs. About half of those people affected by the benefit cap are in London; 20 of the most affected areas are London boroughs. There are a lot of similarities in terms of the labour markets and in terms of the characteristics of tenant households. I think that the Haringey report does tell you something about what might happen, certainly in the rest of London and perhaps in the rest of the country. In the rest of the country, though, the cap is more likely to bite as a result of large families, whereas in Haringey about three-quarters of the people affected had either three or four children, so were not the extremely large families that some people would be talking about.

Q80 Chair: You did say that 40% were in temporary accommodation, and I know Aberdeen might be slightly different, but in my own area almost all who are affected by the benefits cap are in temporary accommodation. It reflects the high costs of temporary accommodation rather than just necessarily the cost of accommodation in more general terms.

Gavin Smart: I think that is right. You are right there is a similarity there with the Haringey experience. Haringey gives us some early signs about the kinds of households that might be capped in different geographies, but also the challenges of responding to the cap, and the degree to which people are currently dependent on discretionary housing payments.

Q81 Chair: What are people's choices? If they are already in temporary accommodation, in Haringey and affected by the cap, what can they do about it?

Gavin Smart: Ideally you need to be able to move somewhere with a lower rent, but it is difficult to achieve that at speed with quite a constrained housing supply, and particularly social housing stock. Then it is about the degree to which people are able to find access to work, ideally for more than 16 hours a week. The Haringey results showed that people understood that, but only about 11% of people managed to make that change in the time that we were carrying out the work.

Q82 Chair: What is the evidence of people moving to other local authority areas?

Gavin Smart: There is not as much evidence in the short term from Haringey, but we do know that other London local authorities are exploring making allocations outside of London. I believe Brent has a relationship with Birmingham, for instance.

Q83 Glenda Jackson: Could I just ask: did you break down the number of families with dependent children in those percentages?

Gavin Smart: We did identify that there were 2,400 children in the households affected by the cap.

Q84 Glenda Jackson: I am presuming that the local authority had a statutory responsibility to help to house a proportion of those people. Putting aside the children dimension, what proportion were people who were deemed to be vulnerable, as far as the local authority was concerned?

Gavin Smart: I do not know that answer off the top of my head, but we would be happy to try to make it available to you.

Glenda Jackson: I am just trying to link it up with the pressures to get people into work.

Q85 Debbie Abrahams: I just wondered if you could expand on the accommodation that is exempt. I understand from your report that hostels and refuges are not exempt. I wondered whether at this stage you have been able to make any assessment on the impact that it may have on victims of domestic violence.

Gavin Smart: There was some concern in the Haringey report and some anecdotal evidence about women at risk of domestic violence feeling that they could no longer leave the situation they were in because they would be affected by the cap if they did. That is anecdotal evidence, but it certainly is a cause for concern.

Q86 Dame Angela Watkinson: Thinking again of high rent areas such as London, what are landlords doing, if at all, to assist people who can no longer afford to pay their rent in full? I am thinking particularly of where there will be a large discrepancy between the rent and the benefit received. Even if they are going to be re-homed, there will be a period during which they are still remaining in the home they cannot afford. Are landlords able to help or do they help at all?

Gavin Smart: I think landlords are able to help. I am sure my colleagues on the panel will have more practical examples than I have. Typically, the work involves giving advice, support with training and accessing the labour market, and some money advice as well. One of the problems is that for some households in Haringey the average cut was between £50 and £200 week. That scale of reduction in income is not something that you can necessarily manage by budgeting; you need to make a fundamental change to your circumstances to deal with it.

Danny Hardie: I can certainly take up from that. The first thing I have been doing when meeting such households who are affected is to apply for a discretionary housing payment. I have taken that as breathing space to try to see what other interventions I can make. Typically that has been referring to the Peabody employment and training team, trying to get clients into a position where they can be exempted from the cap. We have also been looking at other forms of relief that are available, so whether any claims can be made if there is any disability in the children or long-term health problems.

I am very aware at all times, though, that I am up against the clock because a discretionary housing payment is time limited. I have an example of a family in Enfield where in advance of knowing a benefit cap was coming in, we managed to find her 10 hours' work in a school so she could fit it around childcare commitments. Unfortunately, we could not extend that to 16 hours, so we are still in the same position of having to apply for discretionary payments. Being right on the edges of London, there is not any stock we have that could be considerably cheaper.

Q87 Dame Angela Watkinson: Is there any scope at all for them moving into private rented accommodation? Certainly, in my own area, private rent is almost exclusively more expensive than the local authority.

Danny Hardie: That is very much the case in London. Even if there were available properties, they are very reluctant to take on those claiming local housing allowance. It is quite often very specific, when you look at the advertisements, that there is no LHA.

Q88 Chair: Do any you have any idea of the proportion of tenants that might move to the private rented sector?

Carol Matthews: Yes, Chair. We have done some research with three other associations: Affinity Sutton, Wigan and Gentoo, which is based in the north-east. That covers about 135,000 families or two-and-a-bit per cent of the social housing stock. Of the people affected, around 20% annualised are endeavouring to move, and we have found that in those areas we are losing nearly 40% to the private rented sector. That will tend to be to higher rent, and our research we have done with the University of York shows that that reduces the scale of savings that the DWP impact assessment was hoping to make by probably around one third. The savings in the first year were to be around £480 million. In terms of the move into the private rented sector and people moving within the social sector, we are seeing that those savings, even on a moderate basis, are down by one third based on our experience over eight months.

Q89 Chair: Do you have detailed analysis of that?

Carol Matthews: Yes, we can provide that in a written report to the Committee.

Aileen Evans: I would like to echo Danny's point about private landlords not willing to take benefit claimants. We did a straw poll of our local estate agents in Bedfordshire last week and there was only one who was willing to take people who claimed benefit, despite the fact that those people who claimed benefit may be in work. There is a whole raft of reasons, but basically it was seen as they were left to the vagaries of the benefits system—if the benefits changed, then that would mean that their tenants would struggle. Thinking about rents in the area, the local housing allowance for a two-bedroom property in Bedfordshire is £126 and the average rent is £156 a week. The shortfall leaves tenants £30 a week worse off, where, for instance, under the under-occupation penalty, they would only be left paying £15 a week.

Q90 Chair: Even if they were able to move into the private rented sector and even if they get more taxpayers' money because the local housing allowance is higher than the equivalent would be for a local housing association, they still have a huge shortfall, so it is not an option for individuals.

Aileen Evans: It costs the taxpayer more and it costs the individual more because the private sector rent is invariably higher than the social rent from the property that they are trying to move out from.

Q91 Stephen Lloyd: If that is the case, why are more people in social housing not trying to bridge the gap financially by remaining in social housing? I would have thought if it is going to end up costing them more going to the private sector, would there not be some more incentive, working with the housing associations and the rest, to actually try to remain in the social housing area but find that additional income?

Duncan Forbes: There is a double jeopardy here. If they stay in our social rented sector, particularly if they are subject to the under-occupation charge, they do not get all their rent. If they move into more expensive but smaller private sector accommodation, they get 100% of their rent, so actually they are better off by moving to the private sector.

Q92 Stephen Lloyd: I hear that; you are quite right, but I am confused because I thought I heard you say that it was costing the individuals or the families more. I wholly understand that you have a system where you can game it, because it is human nature: I will get more money from the Government. That is fine. What I heard you say, though, is it is costing the individuals more. If it is costing the individuals more, why not stay in social housing?

Aileen Evans: Within Bedfordshire and across Placeshapers members, where private sector rents are higher it will very often cost individuals more if those private sector rents are exceeding the local housing allowance. To answer your point about what people can do, some of these people are far away from the labour market. They can try to downsize within social housing and we can try to do the sorts of budgeting, employment support and all of those other things that housing associations are doing. It is a huge problem, though, and there are very few solutions that are coming through.

Q93 Stephen Lloyd: I understand. So, to be clear, it will cost the DWP more, but it will not actually cost the individuals more when they move into the private sector.

Aileen Evans: Yes, it will cost the individual—

Q94 Stephen Lloyd: Why not stay in social housing then? This is where I am struggling.

Aileen Evans: Because they are under-occupying the social housing and so they are caught. This is a real example where people have no choice. If you are on £71.20 a week jobseeker's allowance and your under-occupation penalty is £15 a week, that is actually a huge chunk of your income. People are already making choices about heating or eating; they are trying to find work, but the work that they are likely to find is probably likely to be low-paid, which might not take them out of benefit. In fact, probably it invariably will not. We have case studies where people have two and three jobs and are working full time, but they are still on housing benefit because the level of wage that they are getting is still not enough to meet their housing costs.

Q95 Sheila Gilmore: Can I just ask you to clarify one thing to see if I have my understanding right? For someone who is working and has partial housing benefit, the under-occupancy charge, however, is not pro rata'd. If it is £15, it is still £15. Their earnings might go up a bit; they will lose some housing benefit because their earnings have gone up, but the under-occupancy charge will stay at the full amount.

Aileen Evans: It will stay the same.

Sheila Gilmore: I had a feeling it was pro rata'd. I do not know why.

Carol Matthews: If you are on part-time housing benefit because you are in part-time work, the impact of the charge is disproportionately higher because it is a percentage of the full rent, not a percentage of the benefit. You could actually say that, in those situations, it is a perverse disincentive to work.

Q96 Stephen Lloyd: Hopefully, the universal credit, assuming it is all working, will actually improve that. Is that correct?

Carol Matthews: It should.

Gavin Smart: I do not think that that is necessarily the case. If you took the example of a family with two children, to achieve a wage level that would mean that they were no longer on the universal credit taper, they would need to be earning £34,000 a year, which is in the top third of the income distribution. Many people will find that they get full-time work, but on low wages. They will not escape universal credit, and for that reason they will not necessarily escape the under-occupation charges.

Q97 Stephen Lloyd: Quite a lot of them will and they will escape a portion of it, or is that wrong?

Gavin Smart: No, because it applies as a flat rate.

Sheila Gilmore: No. It is a proportion of the rent, not a proportion of the benefit.

Q98 Chair: Can I just clarify something as well? It might answer the question that Stephen was asking just before that. In order for someone to move from the social rented sector into something that they can afford in the private rented sector because they will get full local housing allowance, the rent of that property in the private rented sector has to be lower than the 30th percentile of the broad area market rent. What you said, Duncan, was that somebody could move into the private rented sector and cost the taxpayer more money but not the individual more money. That is assuming that there are enough properties in that 30th percentile. My question is: are there enough properties in that 30th percentile? Are landlords willing to rent to people who are on housing benefit to make that a viable option for many people?

Duncan Forbes: Certainly, in our area, increasing numbers of landlords are not accepting people who are on housing benefit.

Q99 Chair: Even when they are at the low end of the rental market?

Duncan Forbes: Yes, even when they are at the low end of the market.

Carol Matthews: Our experience in other neighbourhoods in the north and Scotland is that private sector landlords are taking people from the social housing sector, but the issue is that there is not enough smaller accommodation available across those sectors.

Q100 Graham Evans: Can I just ask a question? Have you heard of HomeSwapper within the public sector?

Aileen Evans: Yes.

Carol Matthews: Absolutely.

Q101 Graham Evans: How many people there are wanting to upsize and downsize as we sit here?

Carol Matthews: We have more than 2,500 tenants now registered through HomeSwapper and House Exchange. It varies. We have been more successful in people moving because of area choice. We have only been able to assist 50 tenants affected by the penalty in moving downwards.

Q102 Graham Evans: Do you talk to your tenants about the option of swapping within the public sector?

Aileen Evans: Absolutely.

Carol Matthews: We have been talking to our tenants since this change was specified. We had a huge campaign to get to talk to more than 9,000 affected tenants and have ongoing conversations and support to help people, as Danny has outlined, with jobs, training, affordable warmth and access to other benefits.

Q103 Dame Angela Watkinson: I do not know what the proportion is of workless households who are long-term workless and with very little prospect of ever being in work, but is there any evidence that those people will opt to go to another part of the country where rents are lower and they are going to avoid the £15 top up?

Gavin Smart: I think the jury is still out on that. Some people may look at that as an option. It depends on being able to find a home that is of the right size and the right price in a different part of the country. There are significant hidden costs, both social and economic, to making that kind of move. Typically, people will be moving away from families and support networks. If that is a family with children, that may mean they are less likely to find work, not more likely, because they will not have access to carers. Typically, in the social rented sector, most homes are let unfurnished so there are significant transitional costs if you cannot take your existing white goods or furniture with you. It is not necessarily a simple solution. I do not know if we will see large numbers of people making that kind of move.

Duncan Forbes: If I can pick up on that, the Department for Work and Pensions did a study of some of our tenants claiming housing benefit. Only 5% have any savings. The first question is: how is moving without savings feasible? We help people to move up to a point, but only with move costs within our own sector. To be honest, on this issue around the strength that people get from local communities, facilities, families and friends, the whole issue of helping people into work involves a lot of complicated childcare arrangements, a lot support and people gain that from the community in which they are living. The minute we disconnect them from that, actually many of these households are less able to work and less likely to be able to. It is a really important issue. The importance of locality is hugely underestimated, and hugely important. For some of our tenants, the support networks have been generated over 40 or 50 years. People were born, brought up there and have always lived there. All their childcare arrangements and everything are dependent on local family and friends. That is what enables them to work: someone picks the children up from school so they can get home at five o'clock. Someone takes the children to school. We are doing it. We talked about it ourselves. We are all doing it. We are all looking at parents and grandparents.

Q104 Dame Angela Watkinson: I do not think they are people who do not have work commitments.

Duncan Forbes: I suppose my point is that if they are looking for work, they will move probably for work rather than for other reasons. We are in the lowest rent area in the country in Wales, pretty much, certainly in our part of Wales. We still have people subject to the benefit cap. There is nowhere cheaper they can move to live, so the benefit cap cannot move them anywhere cheaper. There is nothing cheaper than the rents that we charge.

Q105 Graham Evans: What about better paid jobs? They move. In my constituency there is an historic Scottish community that moved down in the 1930s for the chemical industry, for example. People have historically moved for better paid jobs and work.

Duncan Forbes: Yes, I am sure. They have to have the skills to move, but also they have to have some capacity to move. My point is if only 5% of them have any savings, you actually have to have a cash amount in your pocket in order to move. Just the process of moving your furniture from one house to another costs you the best part of £500 or £600.

David Ogilvie: Can I just flip that on its head to very briefly look at the rural Scottish dimension to this? If you are saying that the premise is that tenants should look for work elsewhere, the issue in rural Scotland is not that tenants have no jobs. They might have local jobs. They might be low-paid jobs; they might therefore require some housing benefit assistance and then be clobbered, as Sheila Gilmore has highlighted, by the fact that the full whack comes off with the under-occupancy restriction. To keep those communities stable and viable, in terms of the opportunity cost there has to be a measurement of what is in their best interest. Do you really want to have these people all adding to the pressures of the large cities, where there are intense housing shortages and intense housing pressures? Would it be more sensible to flip it around and say, "How do we support job creation in those other areas or in those localities?" That is part of what the concern is. It is not part of our evidence submission; it is an observation I make quite freely and willingly, purely because the obsession with looking at getting people to shift to the jobs goes some way but not the full way to where we need to be.

Q106 Dame Angela Watkinson: You are still linking your comments to work and there are some people who do not work. They have the choice and are quite happy not to and live in a very modest way. They do not have those commitments to where they live. It does not matter where they live if they are taxpayer dependent.

Gavin Smart: I just have a reminder of something we mentioned earlier. Lots of landlord organisations or housing associations will be doing work to encourage people to find work or to find a better job. That family of two adults and two children would need to be earning £34,000 a year to be out the other side of the benefits system. That is at the 70th percentile in the income distribution. Although one would not want to be dampening people's ambitions, it does not seem to me to be realistic to assume that everybody is going to be able to make a move of that proportion. That is not the structure of the UK economy, and we are talking about people who often have significant challenges in terms of labour market skills and ability. There are lots of people doing a lot of work to help that happen and some success stories, but it is the size of the challenge that is difficult.

Duncan Forbes: Can I just pick up on that point about it not mattering where people live if they are not working? The Department for Work and Pensions research shows that 61% of our housing benefit working-age tenants have a long-term illness or disability. For example, Carol, a woman who is blind, is incredibly dependent on where she lives. She cannot survive without the support of friends and neighbours who guide her around and do things for her. She knows exactly where all the traffic lights are and all the places to cross the road. It is not the case that just because she is dependent on benefits, it does not matter where she lives. Where she lives matters crucially to her survival. It is not the case that if you are not working you can live anywhere.

Dame Angela Watkinson: I think you have misunderstood me. I was not talking about people with disabilities. I was talking about people who are fit for work, but choose not to. There are some. People who are working, who are independent and are paying for their own accommodation, have to live where they can afford to live.

Chair: I am going to move on to something we have already touched on. We are calling it the social sector size criteria. Others might call it the spare room subsidy; others might call it the bedroom tax. We are at the moment calling it the social sector size criteria.

Q107 Sheila Gilmore: I wanted to ask David a first question in terms of the housing stock and maybe anyone else could chip in. As a federation of housing associations, were you asked in advance for any information by the DWP about the nature of the housing stock and how easy it would be?

David Ogilvie: Not in advance of the Act, no. We made submissions, as you would expect the federation to do, throughout the course of the passage of the Bill. We highlighted from our own impact study deep-seated concerns about the impact of the social sector size criteria from various different dimensions, whether that be the rural dimension, whether it be the fact that there is just a structural mismatch so that there is a chronic shortage of smaller properties for people to downsize to should they wish to. The inflexible way in which the criteria are set up is also an issue. That has unfortunately caught a lot of disabled people; it has caught a lot of people who have childcare arrangements as a result of broken relationships and what have you. All that does not get taken into account, and what we have had subsequently are situations where tenants are being told, “Actually, you get yourself a bedsit and you get a z bed for the kids for your weekend and what have you”. We have these sorts of issues up and down the country.

Q108 Sheila Gilmore: How long might it take for your association members to be able to move people from two-bedroom to one-bedroom houses within their own stock? Have people calculated that?

David Ogilvie: In terms of the use of stock, Scottish Government research shows that 82,500 households were affected, of which 60,000 are looking to downsize to a one-bedroom property. Given that there are only 20,000 one-bedroom properties coming up per year, and a good tranche of those are set aside for homelessness referrals and what have you, it could take anything between three to 10 years. There was a recent study concluded by Professor Ken Gibb of the University of Glasgow, which was the underpinning of an evidence submission by the Welfare Reform Committee of the Scottish Parliament that shows it could be anything between three to 10 years. That is his best guess, but there are some methodological issues in terms of working that out, which is why it is such a broad range. That would be our expectation.

Q109 Sheila Gilmore: Would that be based on giving everything that comes available to an existing tenant to move?

David Ogilvie: Absolutely.

Q110 Sheila Gilmore: In Edinburgh at the moment in any month there are about 2,000 households who are homeless priority, 70% of whom tend to be single people or childless couples. What would happen to those people if you allocated every available one-bedroom house to a downsizing tenant?

David Ogilvie: It creates a huge headache. As you know, the housing and homelessness policy is devolved at the Scottish level. There are various things, not least the 2012 homelessness commitment, of which the Scottish Parliament is justly proud. The ability to achieve its own administrative targets is being fundamentally undermined by this policy. There is a point where the social sector size criteria, in their implementation, are militating against local authorities’ ability to meet their homelessness objectives.

Q111 Sheila Gilmore: I just want to follow up on that. If you did prioritise the lets to existing tenants, where would the homeless applicants be living in the meantime?

David Ogilvie: They would be left in temporary accommodation for far longer. We have already had a huge crisis in terms of temporary accommodation and there are big issues around the funding in Scotland. We have a slightly different take on how we define temporary accommodation, so there are issues in terms of the supported and exempt accommodation categorisation. A lot of our temporary accommodation tends to come with support. There is a raft of other issues that need to be teased out, and we would be very concerned that people would be getting stuck in inappropriate accommodation, and particularly with temporary accommodation you inevitably find that these people are subject to the social sector size criteria more often than not, just because we tend to have slightly larger properties in temporary accommodation to accommodate families. If it is a single person or a couple, they could end up with a two-bedroom excess.

Duncan Forbes: Can we broaden that out to England and Wales?

Carol Matthews: Yes, could I give an example from Mr Evans's constituency? We have about 1,500 homes in that constituency; 294 residents are affected, of whom about 133 would like a one-bed. We only have 40-odd one-bedroom properties in the constituency. If we kept those people in the constituency, on the rate of turnover it would take us seven years to move those individuals.

Q112 Graham Evans: Can I just come back on that, Chairman? Which housing trust are you?

Carol Matthews: Riverside.

Q113 Graham Evans: I have experience of housing trusts in my constituency—but not necessarily your housing trust—building bigger three- or four-bedroom properties, whereas what we need are one-bedroom properties. In your portfolio you have semi-detached three-bedroom properties. Some housing trusts have converted those into maisonettes, so you convert a downstairs flat, one bedroom, to an upstairs, so you have four single bedrooms within what was a three-bedroom semi-detached. Do you not think that is a quick way to perhaps alleviate the problem to which David was referring—that you need more one-bedroom properties? The housing portfolios that some of the housing trusts—but not you personally—are building are still three-bedroom properties when we need one-bedroom properties.

Carol Matthews: If you think about Runcorn, there is a history to it, which is that it was a new town. It was about family accommodation, so not many one-beds were produced. We are doing what we can where we can, so we are converting bedsits into one-beds and, where it is appropriate we are turning things into one-beds. We already build the smallest accommodation in Europe and some of the people who are under-occupying under this penalty do not recognise themselves as under-occupying because the bedroom is being used. 50% of our affected 6,000 households do not see themselves as having a spare bedroom. Someone is sleeping in it, whether it is a partner, a carer or a child. I will give you an example of a type of property. We have 1,200 three-bedroom four-person houses. That is a double bedroom and two single bedrooms. Under the under-occupation penalty that is seen as a three-bedroom six. You have perverse examples like that because the definition has been drawn so crudely and so narrowly. People who are not under-occupying are seen to be under-occupying.

Q114 Graham Evans: My understanding is there is no shortage of three-bedroom properties in terms of the product portfolio in my constituency. People could be moved into three-bedroom properties, but as you rightly point out, if you put them into that, there would be an extra charge because there are too many bedrooms.

Carol Matthews: Absolutely.

Q115 Graham Evans: You accept—not you personally but your association—that there are plenty of properties that have three bedrooms that could be converted into one-bedroom properties.

Carol Matthews: The issue there is the cost of doing it.

Q116 Glenda Jackson: By whom? Where is the money coming from?

Q117 Graham Evans: I accept that, but it is relatively cheaper than having to wait to build new-build one-bedrooms.

Duncan Forbes: Can I come back into that? Obviously if we let a three-bedroom house out to three single people, if they are all on housing benefit, the housing benefit bill will be about £180 a week instead of £70 a week. There is a cost to the public purse in doing that and there are also increased costs of management that we would have. Anyone who has lived in a shared house knows it is a little bit more difficult to manage around a shared kitchen and a shared bathroom than when you have one of your own. There all those issues that come up from managing shared accommodation. There are increased costs of management, increased costs to the benefit system, if they are on benefits, and—

Aileen Evans: Increased capital costs of conversion.

Duncan Forbes: —Increased capital costs of conversion and safety issues. There is a whole range of issues. You said seven years, and in our data we have areas of our borough where it will take between 15 and 20 years to re-house people if nobody is housed off the homelessness register in that area. Homelessness accommodation is three times as expensive to the public purse as the accommodation we provide. It costs £200 a week instead of £70.

Q118 Sheila Gilmore: How variable is it across the country? I have heard the argument that in some places there are three-bedroom houses that may now be seen by some associations or authorities as surplus to requirements, although knowing the size of some of them I would be surprised how easy it is to convert them into something that is liveable. That is not true of all areas, though, or do you think it is true of all areas? Certainly, the shortage of three-bedroom houses in my area is just as acute as the shortage of anything else.

David Ogilvie: It is not just about the shortage. It is actually about where these three-bedroom properties are. In many cases, allocation policies for housing associations in Scotland were amended because some of these three-bedroom properties were in high-rise blocks and it was being found to be very difficult and very costly to manage when you have noise issues in a high-rise block. Over time people have retrenched from that and ended up giving these properties to other people. These properties might have become difficult to let and, as a result of that, some leniency was then exercised by housing associations in terms of how they allocate those properties. Such issues also need to be factored in.

Q119 Sheila Gilmore: A lot of the discussion goes that single people are living in three-bedroom houses and it is ridiculous. Do your associations have figures for what proportion of people affected are in two-bedroom accommodation that might need one and what proportion are in three-bedroom accommodation and need a one?

Aileen Evans: Can I just make a point there? 26% of our three-bedroom stock in Aragon—and I am not sure what the figure is for Placeshapers—is under-occupied by people over pensionable age. That is actually far more than the people who are of working age who are under-occupying.

Carol Matthews: Across our 6,000 tenancies that are affected by the under-occupation penalty, three-quarters or nearly 80% are under-occupying by one bedroom. I have already said that half of those do not see themselves as under-occupying because the bedroom is being used as a bedroom.

Duncan Forbes: Our data are pretty much the same as that.

Aileen Evans: To give an example about that in terms of how somebody could be eligible for the under-occupation charge and yet still be using the bedroom, one of my staff the other day was saying they had two boys, a 15-year-old and a three-year-old. The 15-year-old was doing his homework; the three-year-old was up in bed. Actually, under the under-occupation rules, they would only be entitled to a two-bedroom property. She is not living in social housing; I am just using that as an example. In actual fact, the requirements of a three-year-old for sleeping and the requirements of a 15-year-old in terms of the way that they live are that they need that separate space.

Q120 Graham Evans: Are you saying that they should have a three-bedroom property?

Aileen Evans: Yes, I am saying that they should have a three-bedroom property. Yes, I am saying that.

Q121 Graham Evans: Chairman, can I just comment on that three-bedroom property? I was born in a council house three-bedroom property. There were four of us: two of us in a box room in a bunk bed with a very similar disparity; my two sisters were in a room together. What has changed between then and now?

Duncan Forbes: We have examples of cases where teachers are complaining that young people at secondary school are not able to do their homework because they do not have any space to do it in. I think that is the key issue. The expectations of what work children should be doing at home outside school have changed completely from the time that I was brought up, certainly. If you have a three-year-old and a 14-year-old or a 15-year-old doing GCSEs sharing a bedroom, you cannot do homework in a bedroom and sleep the three-year-old in it.

Q122 Sheila Gilmore: Come I come back to the cost of this? Even if it were agreed that people should downsize, what you are saying is that it would take a long time to do that, and in the meantime there is a financial penalty.

Carol Matthews: Yes.

Aileen Evans: Yes.

Q123 Sheila Gilmore: On that financial penalty, to what degree has there been movement in practice? We have now had six, seven or eight months—can anybody say what proportion of people have successfully moved?

Duncan Forbes: 3% in Wales.

Danny Hardie: Of 877 identified under-occupied residents since April, we have only managed to get 14 households moved.

Carol Matthews: Across our research in the north, over a year we are seeing an annualised percentage of around 20% moving. Half of them are moving within the social housing sector and 40% are moving to the private rented sector. There is a specific issue though in terms of a group of people for whom it is very difficult to move. That is the disabled. We are finding that three-quarters of the people affected by the charge are advising us of a disability. We know that 40% of those tenants are on a range of disability benefits, such as disabled living allowance. Therefore, moving them is particularly difficult. 20% of the people affected by the charge who are disabled are living in adapted property. That means we have made major capital investments, usually more than £2,500 per property, so I am not talking about just a few grab rails to assist those individuals in living independently. Moving those people requires another set of capital investment in disabled properties.

Aileen Evans: We have examples of Placeshapers members where adaptations to the tune of £26,000 or even £30,000 worth have been carried out to a property. To replicate that elsewhere, bearing in mind all the issues around locality and area that Duncan mentioned earlier, is just not possible in terms of the capital investment required for those people. They are still caught by the under-occupation penalty.

Duncan Forbes: We would have to do adaptations totalling almost £1 million to move people who were affected by the under-occupation charge.

Danny Hardie: I have a resident in Wandsworth, for example, who has a very largely adapted property with a stair lift, level floors and extended doors. Although her husband works, he is quite willing, if he has to, to temporarily leave work, relocate and find work somewhere else, unfortunately, in trying to find anything available, generally, of the properties that we looked at all across the country, people have wanted to downsize as well. Although she needs a two-bedroom property, others who are in a two-bed disabled-ready property want a one-bed, and she feels totally trapped.

Q124 Sheila Gilmore: I was going to ask you about that, but I think you have covered that. In terms of spending choices, what is the impact on you as associations, because it is going to be slower, at the very least, for people to move, even if they can move? There is a financial cost; what effect is that having?

Danny Hardie: It is huge. To give you an example, I have a lady in Camden and her husband has had to give up work to take care of her. They have a disabled car; now, to try to make ends meet, she will only use that disabled car to go to hospital appointments. Her husband now has to go shopping daily to buy groceries, walking there and walking back to save on petrol costs. One of the big problems, and I think you, Aileen, had something on this, is condensation. I am finding a lot of the time people are only heating one room, because it is obviously more economical, and other rooms are damp. That is causing respiratory problems, especially where there are children. It is very difficult trying to work with very limited budgets to find ways around this.

Aileen Evans: Thank you for that, Danny. Can I just show you something here? I have a copy, but it is not in colour, unfortunately.

Chair: It is quite hard for the transcriber to transcribe that visually.

Aileen Evans: I will describe it and I will send a copy around. Last year we noticed an increase in the number of people coming to us saying that their properties were damp. We have the highest thermal insulation in the south of England in our properties: they are very well-insulated; they are not damp. What we found when we went in was actually people were not having the heating on. What we plug in for those people now is that, as well as getting a visit from a surveyor to see if there is anything actually really damp, we send somebody who can help them with fuel tariff switching, one of our employment programmes and benefit advice—that sort of thing. I got these figures yesterday. If October and November last year are there in terms of the number of cases, for October and November this year you can see—

Chair: You are pointing to about twice as much.

Aileen Evans: Yes. I have the data. We have not had a really bad winter yet, so we are using that as an indicator of fuel poverty. Whether or not that is a symptom of the energy market, poverty generally or actually all of the above, those people are not having their heating on. That is not about their living in damp properties; that is about their making a choice not to heat their homes.

Carol Matthews: I would probably need to split the answer into two parts. If I can tell you about the impact on our tenants, what we are now finding is that half of the people affected by the penalty since April are now in arrears. From our own research, we know that 50% of them are using pre-payment meters as a budgeting tool and very much living on a hand-to-mouth cash existence, which is all around the essentials. For us as an association, since April our arrears have gone up by 12%. Our void numbers are significantly up on last year, our repair costs are up and the re-let times have increased.

We have put in nearly £1 million worth of extra staff costs to support money advice, affordable warmth, helping people into work and chasing rent arrears. All of this is going against the efficiency agenda that clearly the Treasury and DCLG want from us as housing associations, particularly around the fact that that is taking capacity out of our businesses to be able to support building new homes in relation to the housing crisis. I will just leave you with one example: our increase in bad debt provision of around about £4.5 million per annum means that 500 homes are not going to be built. That £4.5 million over a period of time would support 500 new homes in terms of the debt that we would carry. That just gives you an example of the impact on tenants and the impact on our business and our ability to support the housing crisis.

Q125 Graham Evans: You are trying to change things—this is a radical change. Instead of paying you the money directly, the money is going to the tenants, so they are being paid the rent. The money is not coming through to you. Is it that during change it takes a while for things to bed in and you are just going through a transitional period and things will eventually sort themselves out?

Carol Matthews: The examples I am giving are not about direct payment. They are about the direct impact of the under-occupation penalty on those residents. This is not about the fact that they are getting the rent and then not paying it to us. It is because they are subject to the penalty, so they are not getting the benefit in the first place.

Q126 Graham Evans: But you are now interacting with your clients in a way that you never did before. I accept that there is an initial cost in there in terms of extra staffing costs, but surely it has to be the right thing to do for your industry and your businesses to engage with your clients to help them, as you were saying, into work and so on and so forth, rather than just sitting there allowing the state to pay you directly for their housing costs.

Carol Matthews: I would say again that this is not about direct. We have been interacting with our tenants over the last three years. That is a significantly longer period than the penalty has been in place. We have helped more than 2,000 residents into work. Every month for the last two or three years we have been assisting 300 to 400 residents with money advice. This is not us increasing our resources from a position of not having supported tenants, but increasing resources particularly to deal with the impact of a range of welfare benefit changes.

Q127 Graham Evans: Do you agree with the welfare changes?

Carol Matthews: What we are here today to do is to give you the evidence of what the impact is on the ground.

Danny Hardie: Following on from this, I would say I have been in post six years. Certainly, when the welfare reform changes came, we could certainly see the rationale behind them. With the benefit cap, there is at least the hope it matches very much with the ideas of trying to move people into work and trying to enable people to become more self-sufficient and help themselves. That is what the vast majority of our residents want. I would think people who take benefit as a lifestyle choice do not need me as a welfare adviser. Everyone I meet wants to be free of the welfare system and, ideally, move into owner-occupied status. When the welfare reforms came about, I was very fortunate that I was able to go to residents who I had already built up relationships with and say, “This is coming. We need to work now in advance of this.” When the under-occupation penalty came in, this is where I hit a brick wall. I have residents who have long-term ill health problems, who may be in properties that are perhaps undesirable to others, so the chances of getting exchanges are very limited. I find myself constantly putting sticking plasters over this problem rather than giving long-term solutions.

Aileen Evans: Can I just pick up a point there? Placeshapers did some research in 2011 that showed that 38 of their members between them had helped 10,000 young people into work. We have long had those relationships in engaging with our tenants. Certainly, in advance of the under-occupation penalty coming in in my own association, every single one of those tenants had had a visit. We did not rely on letters or a message on our website. Everybody had had a visit. We talked to them about what their aspirations were; we talked to them about what might be available for them and what they needed to do.

One woman I know, certainly, had packed up her home by March and she is still waiting to move. However, it is 10,000 people in employment in the last few years.

Duncan Forbes: Can I just pick up from Wales on our view about the benefit changes? The social sector size criteria are in a league of their own. The economic rationale is flawed; it is going to cost more in different places than the savings; the housing demand issue—the idea of moving people to free up bigger housing—may work in London, but in Wales, parts of northern England and Scotland it is creating more demand for housing in short supply; and the impact on households is devastating. To be honest, it is a really flawed policy and that is our position in Wales. It does not work for Wales and I am sure it does not work for other parts of the UK.

Gavin Smart: I just have two quick points. One is that I think we should accept that for some households there is an element of transition and then they move to a more stable footing. However, to assume that this is simply about a general programme of transition is probably a mistake. It does not allow for the fact that people move in and out of benefits as their experience of the labour market changes, and it does not allow for the fact that crisis happens in a way that you cannot predict. I think landlords are doing a lot of good work to assist people to make the move to the new welfare system, but to assume that that is only a transitional cost I think is probably not the case. I would expect higher management costs into the longer term as a result of some of these changes, with the impacts that some of the landlords here have described, either in terms of diverting activity from housing people on the waiting list, diverting activity from some of the work we were doing around housing, employment and training, or reduced development capacity. There is a cost here and not all of it is transitional, but I would accept that some of it is.

Q128 Dame Angela Watkinson: The problems we have been hearing about—children sharing bedrooms, not having enough circulation space for older children to do their homework, inadequate heating and insulation—are not exclusive to the social housing sector. People on modest income who are paying their own rents have exactly these same problems, but unless they can improve their income, they have no prospect of resolving them.

Gavin Smart: I would not agree with that. What I would say is that the Chartered Institute of Housing's position is we want to see housing standards levelled up so that everybody lives in a decent home. I am not sure that the answer is to say that because we know that we have parts of the private rented sector where standards can be very poor that that should be acceptable elsewhere. I would prefer to construct a housing system that delivers better standards overall. For instance, if you look at our Autumn Statement submission, we suggest that the Government explores looking at the targeting of tax relief for private landlords to give landlords who operate better standards and higher quality a more generous level of tax relief. I would rather see a levelling up than a levelling down.

Q129 Sheila Gilmore: I have a slightly more niche question. This goes back to the shared accommodation rate. Are there under-35s who are disabled affected by that? If so, do you have any experience of how they might find suitable housing?

Danny Hardie: Being in social housing, that ruling does not apply, but I have worked with Shelter previously. The problem when you have people under 35 is that there is often a reluctance to accept the disability. I was working with a client who had serious epilepsy.

He managed to work, but he did not want to recognise just how much functional difficulty he had. Therefore, he was forever very poorly housed, unable to manage; he would be in and out of homes, so I do think that could be a problem, but maybe the panel have more experience with that.

Q130 Sheila Gilmore: If you have not, we will perhaps have opportunity to ask local councils something about that.

Gavin Smart: With social housing it does apply to single people with a disability and some of those would be under 35. If they then moved into the private rented sector, they would be subject to the shared accommodation rate. I am afraid I do not have a number with me today for how many are affected by that.

Q131 Chair: I presume in the private rented sector the cost of adaptations or the difficulty of getting adaptations is actually amplified in a way that it is not in the social rented sector.

Gavin Smart: I would be surprised if large numbers of private landlords operating shared accommodation were particularly interested in adaptations to the property.

Chair: That is my own experience.

Q132 Debbie Abrahams: Ms Matthews said that the arrears as a result of this policy that Riverside is experiencing are up 12%, voids are up and 500 homes are not going to be built. Could the other housing association bodies please let me know what their positions are and what the impact has been on you?

Duncan Forbes: The arrears amongst the group subject to the size criteria are up 50%. In order to work with that group of people, specifically around the size criteria, we are investing an extra £120,000 or so in the cost of extra staffing and so on to support them. We are heavily dependent on discretionary housing payment to maintain the financial stability of a significant number of the households in that group. That is always only allocated in three-month or six-month chunks, so all those families are in an unstable position, uncertain of their future. There is a constant stress and strain within those households.

Q133 Debbie Abrahams: Can I ask what this means financially as well? Arrears are up 50%, so what does it mean in terms of the viability, potentially, of housing associations?

Duncan Forbes: It does not affect our financial viability because we can adapt. It will affect two things. One is the new build, as Carol has mentioned. Also the other element of how we use our funds is to support people into work. Those sorts of initiatives are funded from the rents, and the more the rents are under threat, it is those supportive extras that we provide. The point was made that we are not providing enough support. Actually, we always have been, but we will be providing less if we have less money to spend. Those are the things that will be reduced because we have to provide the basics as a housing organisation. You can take a view that you are only a landlord and that is what you do, and all this extra is actually not stuff we should be doing.

David Ogilvie: You will find it is very similar north of the border as well. In terms of what we have done recently, we have published our own survey in June about the impact of the social sector size criteria. The early impact report showed that while total arrears were between 3% and 4% of rental income in 2011-12, associations were already projecting that those arrears would be between 5% and 6% of rental income in 2013-14, so it is a doubling. If you put that into the context of how that impacts on housing development going forward, clearly we are already having a situation where the financial environment for housing associations has been somewhat testing over recent months. On covenants, it would be fair to say that certain banks have been circling like birds of prey waiting to swoop in to renegotiate at the first sign of any breach of covenant. Housing associations have been having a tough time of it.

In terms of the grant regime we have actually had a little bit more relaxation north of the border, getting a little bit more leverage from the Scottish Government, but it still does not make anywhere near enough properties available in terms of the future flow of properties. We are still looking at a situation where it is going to be very much more difficult for housing associations to develop in future.

Aileen Evans: In terms of the over-occupation charge, all of Placeshapers' members report that, in tenants subject to that, arrears have gone up. What is really interesting is the large percentage of people who are in arrears for the first time. They have never, ever been in arrears and they are now in arrears for the first time.

Q134 Glenda Jackson: Can I just comment on this very issue? Are there any linkages that you can see between the arrears that you are experiencing and the arrears that local authorities are experiencing as far as the council tax is concerned? We are reading that increasing numbers of people are going to have to go to court. I am trying to tie it down, because the financial downturn these changes are bringing to you and the future housing stock of the country is very clear. Equally, there will be another financial cost to local authorities, and surely the future is for local authorities and all of you—forgive me for putting it like that—working hand-in-hand to present not only the number of houses but the quality of houses that we will need for the future.

Aileen Evans: I do not have data around local authority collection rates on the council tax contribution, but you make a very important point about the cumulative impact. One of our tenants who is under-occupying by two bedrooms has had no option, despite trying. It was the lady I referred to earlier who has been packed since April. She has lost 35% of her income and that includes the element that she is paying towards her council tax. Our money advice team is dealing with tenants at the moment who are in £2.5 million worth of debt and some of that is council tax arrears. It clearly is cumulative: debt to water companies, electricity and gas. It is all of it, and that is why people are not having the heating on, for instance.

Carol Matthews: I would just reinforce that. We have done some research: a longitudinal study where we are tracking residents across three parts of the country. What we are seeing there is that because the welfare changes are particularly targeted at the working-age population, as are council tax reforms, it is the whammy impact of under-occupation penalty plus council tax and then the energy. We are seeing the use of pre-payment meters as a budgeting tool to help people manage from a week-to-week basis.

Q135 Glenda Jackson: Even though they have not put any pounds, shillings and pence up to this, the Government is constantly arguing that if there are difficulties post the introduction of universal credit, they are looking to local authorities and housing associations, and that whole network of voluntary organisations, non-governmental organisations to help people over the humps if there are any.

David Ogilvie: Can I just make a very brief point of information? With regard to Scotland, the Scottish Government has come to an agreement with COSLA about funding the council tax deficit for this financial year. That is not guaranteed beyond April, though, and we have to wait and see what happens. We might find ourselves in Scotland in the situation that English landlords and councils are in.

Q136 Glenda Jackson: The overall money in the area that we are talking about is not going to be there, is it?

Gavin Smart: There is an opportunity cost to this. If housing associations are doing more of the kind of activity you describe and local authorities are doing more of that kind of thing as well, they will be investing less in something else. As Duncan said, for Bron Afon it has been a lot of training and employment work; I know that Carol mentioned the impact on new development.

Q137 Debbie Abrahams: Could I ask one of you to respond in relation to the SSSC regulations and what has been assumed about the bed spaces needed by families? I know we have touched on this a little bit, but if one of you would be able to explain around that.

Carol Matthews: We have had in this sector, across local authorities and housing associations, for a very long time a common-sense bedroom standard, which is still in use by the Department for Communities and Local Government. The DWP definition is much narrower and cruder, so I have given the example of three-bedroom four-person houses that had grant to be a three-bedroom four-person house, but under the DWP's assessment, it is seen to be a three-bedroom six-person house. If we moved to the DCLG standard, we would free up enough homes to be able to deal with those parts of the country where overcrowding is an issue. That is data from the English Housing Survey.

Q138 Debbie Abrahams: How does the available housing stock reflect these assumptions?

Carol Matthews: That varies across the whole country. We have areas of 1930s/1940s/1950s stock transfer estates where the requirements at that time were for larger family accommodation. In some of our more urban areas we have a mix of one and two, and fewer three-bedrooms. Often what we have is a mismatch about where people are living and the accommodation available, which I think we might have covered earlier.

Q139 Chair: One of our witnesses in our last evidence session, Steve Wilcox, talked about bed spaces rather than bedrooms as being a more appropriate measure to try to judge over- or under-occupancy. Would you agree with that?

Gavin Smart: Steve is a very knowledgeable and erudite gentleman. He makes a very good point. It would certainly get around some of the problems that Carol describes. I suspect it would not deal with a couple of other problems, which are where you have households who, for reasons of disability, may require a spare room but are affected by this; or they are currently occupying specialist accommodation built as two-bed accommodation but specifically aimed at that client group. Does it make sense to move people out of that? There are lot of arbitrary impacts having drawn the line in the way that it is drawn. The other observation I would make is that the weakness of the size criteria as a set of rules is that it effectively targets space and not cost, which is why it does not necessarily deliver savings. If the motivation were savings, you would perhaps have started somewhere else.

Q140 Chair: It is not based on floor size either.

Danny Hardie: That is the big problem I have experienced when I have gone to see people who are under-occupied. I am seeing rooms that perhaps you can get a single bed in, but you cannot get the wardrobe in, so that is in the landing outside with its obvious fire hazards. They are saying to me, "Are you really justifying this as a bedroom?" I am saying, "Under the rules as they are, if it is a bedroom, it is a bedroom. There is no minimum space standard for that."

Q141 Debbie Abrahams: Can I ask how prevalent that is, in terms of the overcrowding that you are describing?

Danny Hardie: Just over half of our stock was built prior to the Second World War when there were different space standards, so it is very prevalent. It is less so in some of the later-build stock we have where bedroom sizes were more generous, possibly reflecting that two or maybe three children might be sharing a bedroom. That is not the majority. Certainly with space limitations in London, we have never been able to really size the homes that perhaps we would have liked to.

Duncan Forbes: I have a similar picture. It depends when the stock was built. Often in the third bedroom in particular you could not possibly get two children into it with basic clothing and sleeping arrangements. You had to put something elsewhere.

Q142 Graham Evans: Could you date the type of property? You said pre-War. Could you give us an indication of the amount of housing stock you have in Wales that is dated pre-War?

Duncan Forbes: A lot of that accommodation is actually post-War. The first two bedrooms are fine. It is the third bedroom.

Q143 Graham Evans: Can you describe the third bedroom to us?

Duncan Forbes: I would describe it as a box room. If it was in my house, it would be a box room or a storage room.

Q144 Graham Evans: Danny mentioned that he could not get a wardrobe in, so I am thinking of this box room. Just describe this box room.

Duncan Forbes: You would not get a wardrobe in. Absolutely, you would get a bed in.

Q145 Graham Evans: Bunk bed?

Duncan Forbes: A bunk bed, but it would probably block the window. Obviously if you can get a bed in, in theory you can get a bunk bed in, but obviously once you have a bunk bed it takes a lot of space out of the room in terms of volume, anyway. It is where you can put anything else once you have the bed in that is the issue in some of the rooms that I have seen.

Q146 Debbie Abrahams: Even people?

Duncan Forbes: It is fair to say that, essentially, what is a bedroom assumes that people are not in there unless they are sleeping.

Q147 Stephen Lloyd: Are particular groups more likely to be successful in applying for DHPs than others? If so, which groups are these?

Danny Hardie: In my experience of doing discretionary housing payments, I think we can say that perhaps what might traditionally have been known as the more deserving people would get a discretionary housing payment.

Q148 Stephen Lloyd: How would you define that? More profoundly disabled?

Danny Hardie: It is those more profoundly disabled, those who have the offer of a job opportunity in a short time or those who have had a dramatic change in circumstances. I had a client whose daughter had recently died and that created the under-occupancy. That was absolutely fine. My problem is when you have people in very similar circumstances within the same borough: one will be given an award and one will not. I cannot really work out why that should be. Certainly, in terms of the most disabled people I can put a very convincing case for discretionary housing payment, whereas for others it is much more of a lottery.

Q149 Stephen Lloyd: Equally, in your experience, is there any truth in the fact that, obviously being a discretionary housing payment, different boroughs are going to apply it differently. We all know that. That is a challenge with discretion; there are pluses, but that is a challenge. In your experience across the Peabody Trust, how much difference are you finding among the different boroughs in applying that discretion? Is there a kind of similarity or are some on a different planet?

Danny Hardie: No, there are vast differences between how each application will be accepted. Even within a borough you will have different outcomes for similar situations. One borough may be very much towards where somebody is showing they are looking for employment and they are putting that hand up. Other boroughs would say, "I'm sorry. This is not our priority." There are other boroughs that take a view that "temporary accommodation must be our priority for discretionary housing payments; therefore, you will get limited help". It is very much borough to borough taking their own opinion.

Gavin Smart: I would just briefly highlight the degree of variation there is across local authorities. It is very different in different places. There are different additional conditions placed upon discretionary housing payments. For instance, some local authorities take the view that some disability benefits count as a form of additional income, which will mean that people who are disabled are less likely to get discretionary housing payment. It is incredibly varied.

Q150 Stephen Lloyd: Do we have any evidence of that? In my own constituency, it is a bit similar to what Danny is saying. If someone has a very profound disability, they go right to the top of the list. Certainly locally, I have not come across that my own authority is using disability benefits as part of income to adjust that. Are others of you finding that?

Aileen Evans: Plus Dane in the north of England reports that in some of its areas people with a disability are not successful in claiming at all.

Q151 Stephen Lloyd: Do they define the disability? It really is one of those things that is a huge length of string.

Aileen Evans: I do not have precisely that data, but the assumption is that because they have additional income, then that should be able to meet their housing costs, not costs associated with their disability, whereas in other areas people with disabilities are getting DHPs. Plus Dane specifically was clear that disabled people in its area are not getting access to DHP.

Gavin Smart: It is just worth observing that, if people have disability benefit income, there is a definition of disability, because it will be the one that the welfare system uses. It is a fairly significant test, so we can assume that these are people who demonstrably have a disability.

Q152 Stephen Lloyd: That is an important point. Do any others share that, or find from their own data or their own experience that it is as variable as the way that Aileen is saying?

Duncan Forbes: It certainly is in Wales. Whether or not disability benefits are taken into account as income is also highly variable. In some cases they are and in some cases they are not. I pick up the point that a lot of the judgments that are made are around deserving and undeserving cases in a not very clear or structured way.

Q153 Stephen Lloyd: Sorry, Carol; I will come back to you. One of the things that I heard Danny say surprised me, so I will come back to that with you, Danny. Looking at what you termed deserving and undeserving, if there were tenants who had a serious job offer or what have you, they would go up the ladder. I am quite surprised by that. Do you say that that is your experience?

Danny Hardie: Yes. It is rare that I am in this position where I can say it to someone, but I do find that where I can give a time-limited job offer within one month or circumstances will be improved within a set time, I do have a much higher success rate, where I can give an example of how, "In this period the problem can be solved."

Q154 Stephen Lloyd: That is an important point, thank you. It is a slightly different slant, in the sense that because there is a limited amount of money, what you would be saying to the authority is, "With a bit of luck, this will only be a two- or three-month transition," and equally they would then see that as quite positive.

Carol Matthews: I was going to say that we are experiencing the same thing. In some places people with significant disability are seen to have income. In others we have been successful in supporting them to get the discretionary housing payment. It would be most helpful if we had the same set of rules in place—

Stephen Lloyd: Yes, I can see that.

Carol Matthews: —Across the benefit cap Act. In relation to the benefit cap, some sections of people with disability—those who have been assessed, as Gavin said, for disability living allowance or personal independence plans—are exempt from the benefit cap. If that were applied just consistently in relation to the under-occupation penalty, all those people with disability would be treated the same. That would be much fairer and much more consistent up and down the country. It would remove them from applying pressure to the discretionary housing payment system, which is there for some of those transitional issues.

Q155 Stephen Lloyd: That is an important point well made and I have noted it, as I am sure the Clerk will have done. Moving on to the next thing, what is happening to households who are not successful in their DHP applications? My challenge here is I have more questions to get to. I know all of you will have something, but then it will be harder for us to get through as many as we would like. Realistically, can I have three of you answer: what is happening to households who are not successful in their DHP applications? Let me start with Danny because I know Peabody is huge and has loads and loads. I will go to Danny and then come to a couple of others, just so that I can get a feeling of what is happening.

Danny Hardie: Essentially, when someone is turned down for discretionary housing payment, I ask for a review of that decision, which is our only option—we can ask for it to be looked at again—but I am immediately starting to write to charities to see if they may help with any other arrears that our outstanding, utilities, for example, and then we look again at their household budget and see which of the essentials can be cut slightly. It is very difficult, but I do work with what I have. It is very no-win when I cannot get a discretionary housing payment.

Q156 Stephen Lloyd: And so when you cannot, the next stage is you "help" them in the transition into the private sector, so to speak.

Danny Hardie: It would be something I would avoid because the cost involved in moving would just create more pressure. The big thing I really have to stop them doing is going to pay-day lenders thinking, "I can solve the problem myself for a period of time by getting money."

Q157 Stephen Lloyd: How does Peabody square that? How many houses do you have now in London?

Danny Hardie: We have 20,000 properties.

Q158 Stephen Lloyd: How do you square that?

Danny Hardie: Essentially what we do is I try to make as watertight a case as possible. While that is going through, I am looking through the person's household budget and seeing what we can do: is there anything we can do? Is there family? Are there friends or anywhere we can go? I really do not give up until I have found something, even if it just buys us time, which is often all I have.

Q159 Stephen Lloyd: Thank you for that. Aileen?

Aileen Evans: We have created our own hardship fund. For instance, I had a tenant write to us the other day wanting some shoes for an interview, and so we bought him a pair of shoes. Actually, what we and Placeshapers members across the country are seeing is a huge rise in dependence on food banks. In my own organisation, our referrals to our local food bank have quadrupled.

Duncan Forbes: We have a very similar pattern. We do referrals to the food bank; they have gone up by 300%. We try to help them to move as far as possible and we have a hardship fund to help with that. There are referrals to charities. The point that Danny made is that we run out of options. What we cannot do is bridge the gap between what the rent is and what the payment they get from benefits is. We can do a lot of other things to try to help them with that, but at the end of the day we cannot put the money in that is needed to bridge that gap. That is the challenge for the household. We can do a lot of almost peripheral stuff around the edges to help with that as far as we can, but we cannot deal with the fundamental problem they face.

Q160 Stephen Lloyd: How much of a significant difference to the challenge would it make if Carol's proposal around DLA and PIPs were implemented?

Danny Hardie: It would make a huge difference.

Aileen Evans: A huge difference.

Danny Hardie: Most of the under-occupation I find is someone with a long-term disability. It would make a huge difference to have that exemption in place.

Gavin Smart: We think that about 31% of people affected nationally might be a severely disabled adult and another 12% somebody who is a carer for somebody who is disabled. You would see significant impact by doing that.

Q161 Stephen Lloyd: Are housing associations working with households in receipt of DHPs to ensure that they understand—I think you have probably answered that. How much work are each of the housing associations and the groups over the last few years really doing to prepare tenants for the issue around the housing cap and also working with the local authorities in trying to maximise the DHPs? I ask that because, about a year or so ago I got some data from the DWP about how much DHP was being returned by local authorities. I have to tell you that I was pretty cross. There were some local authorities and, forgive me, I am going to talk about my own, who returned about £200. There are other local authorities that actually have more significant challenges than Eastbourne that were returning £30,000 to £40,000. I found that very frustrating because my own personal view is that partisan politics was coming into the pot rather than actually trying to manage what, whatever we may think, is a very challenging situation. Let me ask you: how much in your own areas do the housing associations do with the local authority, the local MP and councillors to help the DHP really work?

Carol Matthews: We are doing a significant amount.

Q162 Stephen Lloyd: You understand how important it is.

Carol Matthews: Absolutely. We have helped more than 1,000 tenants make applications to DHP up and down the country. Less than 50% of them have been successful. Because the performance and the criteria are so variable, each local authority is making its own choice about how we ration. Let me give you another example. In Liverpool they are giving small amounts only once on a short-term basis. Once people have had that period of support, if they apply again they are not eligible for DHP a second time round. It is completely random up and down the country, but I know across the sector every association is doing what it can to work with local authorities and with tenants to access DHP.

Aileen Evans: If you are cross about the level of DHP that is being returned, then so are we. We are seeing tenants regularly applying for it and being turned down. In one area of the country, Town & Country Housing Association reports that there is about 40% of discretionary housing payment refusal. There seems to be no rhyme or reason for that. In other areas, certainly in Central Bedfordshire where I work, they have been great at administering that and working with us; they are looking at how they can top up that pot. It is completely variable.

Q163 Stephen Lloyd: I was toying with the idea a few months ago of possibly doing a naming and shaming list, like we want to do with pension fund people.

David Ogilvie: Can I just very briefly say on behalf of Scottish associations, we did our own mid-term analysis six months in of the experience with the social sector size criteria. The thing that comes out is that 50% of applicants are about disability. The other thing that comes out is our associations are trying to support their tenants as best they can, but they are encountering a general lack of transparency and lack of guidance. They are finding it time consuming; it is resource-intensive. Just to re-frame this, in Scotland the average stockholding for a housing association is much lower. You are talking around about the 1,000 mark; you are talking about much smaller, community-controlled organisations who do not have the economies of scale that larger ones do. That has obviously then a disproportionate impact in terms of the resource intensiveness.

Danny Hardie: May I just raise a brief, good example? Islington Council has made us a preferred partner and given us a notional budget for discretionary housing payments. That has been a real saving grace because we have some idea of what the spend would be and we have some idea of how many months to apply for discretionary housing payments. That has been really successful. If that was replicated and all housing associations were given a notional budget, we would know how much money was in our pots and we could then start prioritising on need.

Q164 Stephen Lloyd: It is very clear to me that some councils are doing considerably better on how they allocate their DHP.

Aileen Evans: Yes, it is clearly a postcode lottery.

Danny Hardie: Sadly, yes.

Q165 Teresa Pearce: Just on the discretionary housing payment, my constituency is in two separate London boroughs, and I could not get any handle from one of them on how they worked out who would get it and who would not. It was completely arbitrary. On challenge to them about how much they had spent, they had actually under-spent their discretionary housing payments, so now they are actually going back and revisiting people they have refused and giving them the money. I just wondered: do you know of any of the boroughs you work in whether they have actually under-spent on the discretionary housing payment and whether or not on challenge you could get them to do that at all? I did it in a borough that I do not normally have much success in. The problem for me, and I would be interested to know from you, Danny, is whether, when people get awarded discretionary housing payment, do they understand that that is a reprieve and not a solution? I have had people turned down and then allowed, and they now think the process has gone away.

Danny Hardie: I am very clear with people that we have the breathing space from this period to this period. I would always strongly advise them to make small payments to build up some sort of buffer zone when it ends. Yes, we do have London boroughs—and fortunately I have a good relationship with most—who are able to say, "We are under-spending. Whoever you can find and you think that they are in a good position, please put forward a case." I do find it very annoying or challenging when it is getting to the end of the year and then they are approaching me with this under-spend because I have needed this help right from out; it would have ameliorated so much stress.

Q166 Teresa Pearce: Was it Islington you mentioned where they gave you preferred status, where you or Peabody can make a decision. Would you say that is better?

Danny Hardie: That is fantastic. I know what money is potentially available; I can then work out myself who is in the most need, who may need it longer term and who may need it shorter term. It helps me put plans in place based on what the options are for that resident.

Chair: We are on to some questions on something we have touched on already, which is the support for housing costs under universal credit.

Q167 Anne Marie Morris: Clearly, there will be quite a big change when we move to universal credit beyond the pilot stage we are at now. It has been done to try to simplify the system, but also to try to ensure that the individual who is receiving the benefit is beginning to take more control and responsibility for the money they are receiving. When they move back into a world of work, that would be the way that the system would work, so I believe that is the intention behind it. Clearly, for those who otherwise would historically have received the rent direct, as in the housing associations, etc., it changes the position for you. What problems do you foresee and what steps have you already taken to deal with this? You have talked about education and it seems to me that is actually a relevant issue here. So, thoughts about the problems and, given that you know it is coming, thoughts about what steps you have taken and the size of the problem would be really valuable.

Duncan Forbes: Perhaps I can pick up that first because we are in one of the areas that has a DWP demonstration project on direct payments, one of six areas in the UK, and we provide about nine-tenths of the housing within that demonstration project. We have been involved in that for a year and a half, so we have a lot of information on how it works. The key things are that on the basis that that is going to happen as part of universal credit, it is absolutely essential that we support people not to fail and we exempt people who will definitely fail, or we think will definitely fail. Those are the two key challenges: what are those categories? How do you define them to make sure that people are not put into a situation where they fail?

To be honest, the motive is to get people into work and that is fine, but actually the more we hit people and fail them, the less likely they are to be strong enough, to have the self-esteem and confidence to get into work. It has an opposite effect if we are not careful. It is really important that together we build a process that will work. To be fair, the DWP has listened to the experience we have had. 31% or so of our tenants predicted they would struggle, basically, on a long-term basis, not just on a short-term transitional basis. 30-odd per cent have moved out of the system, back on payments to us because they have got into such arrears that they were going to lose their tenancy if they were not brought back into payment of the rent to us. We have quite a big cohort we need to do a lot of support work with.

Q168 Anne Marie Morris: Can you clarify how you define the difficult people? You have these two camps: the ones where they would cope and the ones, effectively where they would not cope and you are putting them in a position to fail. Can you describe them? You have to some extent quantified them and then, I guess, given what you have said, which is that you have then stepped in or the arrangement has been changed to the old system, so you get paid direct. What further steps have then been taken to try to help them back into the new scheme?

Duncan Forbes: I can. There is a massive amount of extra support going in in order to support this group of people, both the ones we are trying to move back in, but also the ones who are still in. Broadly speaking, we had nearly 1,000 tenants in the project in the beginning, and about 300 have moved back into payments to us, leaving about 600 in the scheme at the moment who are getting intensive support, in some cases, to stay in. Others are absolutely fine with it; they are managing it without any trouble at all.

The challenge is that none of the projects or researchers involved with the projects have been able to come up with a risk model that says a certain category of person is not going to succeed. That is the real challenge, because we have to predict that in order to support the right people. It is more of an art rather than a science. The minute you set a set of regulations that says, “A person with these characteristics is exempt and a person with those isn’t,” it is a blunt instrument. What we are finding is a whole series of different people are not succeeding for different reasons. We really have to have that personal one-to-one support to understand what is going on in that person’s life and household in order to understand whether they are likely to succeed or not.

Q169 Anne Marie Morris: What are the three most common types or reasons?

Duncan Forbes: Obviously, the biggest reason is that there is insufficient household finance, and of course the size criteria affect that as well, to cope with the payments out that are needed. By the time you have taken off heating and eating, children’s clothing and so on and so forth, there are absolutely minimal amounts left. I am sure Danny has some examples of where he has done some money advice with families and he can talk about the tiny amounts left at the end of the week, if any. There is that issue and there are obviously issues around disability. There are big literacy issues in some cases.

Q170 Anne Marie Morris: I appreciate that we all live in more challenging times, whether we are on the benefit system or whether we are in the private sector. Given that we are all having to manage with less, how are you actually helping these individuals budget? In a sense you can buy a child's clothes in Store A and Store C for completely different price ranges.

Duncan Forbes: Our support workers are in there day in, day out. That is what the team does. They have one-to-one conversations on all sorts of aspects of how people can save money and they can budget differently. You can buy at different stores, but if you do not have IT, you cannot buy online so you do not get those discounts, and it often costs £6 on a bus to get to a cheaper store. By the time you have got there you have actually spent more money than if you had bought it down the road. That is the difficulty. Again, there is a lot more complexity to managing on a minute budget.

We have discovered that some of the best financial experts I have ever met in my life are some of our tenants, managing on the amounts they have in their budget. We should not underestimate how skilled people are at managing their money, but they are managing on a weekly basis not a monthly basis. Weekly you can cope, because if you miss a meal or you run out of money, you miss one meal in a week. If you do that in a month, you miss out on a day and a half's meals. That is actually quite a lot, so it does make a difference and that is what is happening in some cases: people are not eating or often the parents are not eating in order to feed their children.

Q171 Anne Marie Morris: How can we educate people to think in a different way? You have talked about jam jar accounts and the like.

Duncan Forbes: We can only do it by one-to-one support. One-to-one support is absolutely crucial to this.

Danny Hardie: One of the major problems we have is everyone thinks the risk people would be those with alcohol or substance misuse. Yes, they would be. One of the big problems is the household who would normally cope and be very responsible, and a washing machine or a tumble dryer breaks down. Although I go to them and say, "I can get you a grant. I can get you an interest-free loan," they are saying to me, "Danny, I need to use that washing machine tonight. I've got to get my partner's clothes ready for work. I need to get school clothing ready. I can't wait a week." If I'm not able to really push them, "No, let's go to the launderette; let's sort that out," they will go and get a pay-day loan or, with direct payment, they will think, "I'll use the rent money and I'll catch up." Every time I see someone with debts, it has been, "Well, I just dipped into a bit of this and I thought I'd catch up, and it's all overwhelmed me over time."

Q172 Anne Marie Morris: So, part of it is educating people that there are cheaper alternatives. It is interesting that clearly they had never thought of going to a launderette, whereas for most of us when we were young that is exactly what we all did.

Danny Hardie: It is the problem of finding launderettes now. There are far fewer than once there were. It is a big problem, and especially where someone has to get clothes washed and dried for the next day. The temptation is to look for a launderette, not be successful in finding one, see this poster for cheap loans and think, "That solves the problem actually. I could do that."

Q173 Anne Marie Morris: Can I come back to you, Duncan? What steps can we actually take, once you have taken the decision to go back again, to then educate, and how long will it take to get people back onto being able to get paid directly through the universal credit?

Duncan Forbes: I think everybody is different. That will be the real skill: to design a system where the timetable is about the individual—with a policy objective, fine—but actually taking people there as quickly as they can, but at a speed they can manage, where they are going to succeed. If we want everyone to succeed in that arrangement and survive, we have to have the household sustainability, which we all do. Some people will take a long time because they need a lot of work on skills, a lot of work on money management and a lot of work on help with household budgeting, and other issues; some need no help at all. It is a total, continuous gradient and that is the challenge because we are trying to design a national system.

Can I just make one other quick point? It is around the criticality of the sharing of information between the Department for Work and Pensions and us. At the moment we are in a very strong partnership in our demonstration project and the housing benefit is part of that too, so we get a huge amount of information from housing benefit about what is happening within households on their income. That enables us to intervene quickly if people need support. At the moment, as we move to universal credit there are some conversations going on and there is not an expectation from the DWP that they will really be sharing any information with us. I can see the logic of that from the point of view of the policy objective to make people independent, but is there a consequence of that that those people who are struggling with that independence do not get the support they need quickly enough? By the time we get in, they will be four weeks in arrears, and that is a slippery slope. We will not hear about it until we do not get our rent a few days after they get the money from the benefits system. Our systems will only flag up the need five weeks ahead.

Q174 Anne Marie Morris: Do you think that the tenants would be happy with that? I would imagine there would be data protection concerns; they would have concerns about their information being made public.

Duncan Forbes: That was a point made to the DWP: "Why don't you ask their consent?" and they do not want to do that. I think most of our tenants would absolutely be delighted about that. There is no problem. If you are in the benefits system you know your information is shared with a whole range of agencies that retain that confidentiality between them, but nevertheless they are sharing that information about you.

Q175 Stephen Lloyd: Anne-Marie, do you mind terribly if I chip in here? This is something that I have been talking about in this Committee since the general election. Direct payments were introduced previously by Labour. I had real concerns there. The Coalition has sort of expanded it and I still have real concerns. The Select Committee drilled down on that quite a lot. We could not get the shift out of that that I would have liked, but what we did get, which I want to sense-check with you, was a commitment that working with the housing associations there would be more opportunity for housing associations, if they identified particular families or people likely to have challenges receiving the direct payments, to move to a default where the money would go to the housing association. Because we banged on and on about it—it was something I had real concerns about—we were assured that that was the case. Are you telling me that in the last year or so that is not the case?

Duncan Forbes: No, that is still the DWP's commitment. They have learnt the lessons from the demonstration project along with us and seen that there are groups of people who are not coping with it brilliantly and who will need either long-term or short-term support in some cases. There are others who are perfectly fine and will be transferred to it without a blip. As I say, the challenge is predicting which groups those are and making sure we fund, because at the moment we are having our support costs paid by the Department for Work and Pensions. We cannot not provide that support. Only a small fraction of our working-age tenants are in that project. We will have to deal with a whole cohort of our working-age tenants moving to universal credit. There is a big cost and it is not just a short-term cost. There is a short-term transitional cost for many more people, but actually 20% to 30% of people need long-term support to stay in that system.

Carol Matthews: It is exactly as Mr Lloyd says. We have been talking sector-wide to the DWP about the way in which the universal credit system could succeed. Our concern is that the results coming from the demonstration pilot that Duncan has unpacked are that the scale of tenants having to go back into the direct payments system will actually overwhelm the alternative payment arrangements.

One of the suggestions from the Social Market Foundation is that, if we set up something like a benefit portal that looks like a banking system but does not have the charges that tenants face, it would allow tenants to make conscious, rational choices about how they administer their benefit payments on a monthly basis: paying their rent, paying their council tax, paying their water rates, and paying their energy costs. In our research, we have found that 27% of our tenants who have bank accounts face charges in the last quarter. As a result, they are they are choosing to live on a hand-to-mouth cash existence.

Back to your point about what we are doing to support customers, we have had significant success in helping residents to open bank accounts, credit union accounts, access affordable credit and learn how to save, budgeting, household skills. However, we still currently have 15% of our tenant base that does not have a bank account, and we are working with them. We have to ensure that, if we want people to be independent and to take responsibility—and I do not think anybody on this side of the table would disagree with that—then the systems and the tools have to be set in such a way that people can use them to succeed. Our real concern is that the scale of people, just on the basis of the under-occupation penalty, will overwhelm the alternative payment arrangements very quickly.

Gavin Smart: I have just two quick points. The first one is of course that even with all of this fantastic advice and support being made available, the system cannot work miracles. You are talking about people who are on incredibly low incomes in some cases. Even though the amounts of money do not sound very large, you may not be able to close the whole gap. That is the difference between success and failure, and we know from lots of financial inclusion and financial literacy work that what tends to happen is a slow-burn failure over time. If you cannot close that gap, you do end up in a crisis situation.

The other thing I would remind the Committee of is that the number of sources of this advice is getting smaller. Legal Services Commission funding for things like Citizens Advice has significantly reduced; Supporting People payments are reduced; I know of a Citizens Advice Bureau that has just had to take the decision that it will make redundant 10 of its 15 advisers and it will continue to employ the other five only on a loss-making basis. They will fund it from reserves for as far as they can. The burden falls on a smaller and smaller group of organisations, typically landlords, who are doing a lot, but you have already heard the opportunity cost of that is it means there are other things the landlords do not do as a result of pushing money in to supporting tenants.

Q176 Anne Marie Morris: Can I turn now to the Local Support Services Framework? There has been some concern that it is a little too vague and also some concern as to when we are going to get the final version. Can you just comment on those two issues? I am conscious of time, but maybe one or two of you could just give some comment with regard to LSSF.

Aileen Evans: There has been no engagement around the Local Support Services Framework in our local area. We are aware that there is going to be something, but there has been no engagement by landlords. We would report that it is patchy across the country in terms of Placeshapers members.

David Ogilvie: From the Scottish perspective, it is meant to be iterative but we are finding the whole process proving to be incredibly vexing because it is so vague. We have issues in terms of the fact that north of the border there is a strategic alliance or concordat that exists between the Scottish Government and COSLA—the Convention of Scottish Local Authorities. They are taking forward the Framework on the basis of the Community Planning Framework, as far as I understand. That then leaves us as part of the nominal third sector on the second tier, not involved. That leaves us at a disadvantage and slightly disconnected. We are involved in the landlords of the Voluntary Sector Reference Group, so we are getting opportunity to feed in directly to the DWP, but that I think Duncan's previous evidence there just alludes to some of the issues involved in the framework and the support costs.

There is nothing there that tells us as a sector how we can forward plan our businesses and what the likely assumed costs will be for us. We are entering voluntarily into arrangements with third-sector bodies. We have been co-funded by the Scottish Government to do a lot of the financial inclusion and benefit, welfare rights advice to try to make people aware of what their entitlements are, but also to help them back into work. All of that is a transitional thing. We need to see the architecture of the Local Support Services Framework quite a bit more clearly than we do and we need to see it quite soon. If you are going to hit the timelines that the Secretary of State wishes to meet, then really we need to be given at least a year or possibly two years' worth of advance notice.

Duncan Forbes: The key point is it is very variable. What is needed is really strong local leadership working with the DWP, housing associations, local authority leadership and the third sector. That will be true in some places; it will not in others. That is the challenge. We have fantastic engagement and fantastically strong leadership, and we work very closely in a partnership, but it is not true in all parts of Wales. Working out the subtlety of the support that is needed here and that we understand and work on is really important. It is not always the same as the support that is on offer at the moment.

Q177 Anne Marie Morris: Do you have any last thoughts on this, Gavin?

Gavin Smart: I only have a quick one, which is to repeat just how important under the current system the three-way relationship between landlords, local authorities administering benefit and the overall benefit system has been. Currently, it is not clear how that relationship is going to operate under universal credit, and it is critical that we get it right. Without that, the notice period is wrong, the flows of information are not right and landlords will not be in a position to support people who are at risk of failing.

Q178 Chair: We might have the Secretary of State in front of us on Monday and there might be the odd question on this. Can I just ask: I know that there are only just over 2,000 people on universal credit; do you know if you have any tenants who are actually in receipt of UC at all?

Duncan Forbes: No.

Chair: You probably do not because they are generally under 25 and living at home. I was just curious. As always happens, we have answered a lot of the questions that were to come as we have been going along, but Graham has a final one about getting people into work.

Q179 Graham Evans: What is the proportion of tenants who are impacted by the reforms that would you describe as being far from the labour market and what are the barriers for these tenants entering employment?

Carol Matthews: It is about 50% for us. The barriers are literacy, childcare, travel costs, skill set and we are doing lots of work in terms of helping to get people job ready: literacy skills; we are doing job placements; we are changing the entry points into Riverside, so not only are we helping people into other employment, we are employing more people from our communities, whether it is in environmental teams or some of our entry-level jobs. It is about 50%.

Duncan Forbes: It is all the same for us, pretty much.

David Ogilvie: It is 30% or 40% according to what we are seeing. The other thing I wanted to underline beside what Carol said is digital inclusion. That is absolutely fundamental if you are going to roll out the system. Even though we seem to have backtracked from the original position of digital by default, if you want to roll this out in the rural context, then digital inclusion is going to be absolutely axiomatic.

Aileen Evans: Yes, digital inclusion is key. People have had really chaotic lives; for example, we have had someone who grew up in the care system, was sexually abused in care and became a parent himself. He is now being abused by his son and is as far away from the labour market as it is possible to be and is probably never likely to be employed.

There are a good many, although not with those circumstances, who exhibit some of those characteristics. Women fleeting domestic violence are another large group.

Chair: The bells are ringing, which means that the House is about to sit, but Teresa wants to just finish off.

Q180 Teresa Pearce: I have one final question. Housing associations are many and varied, but my understanding is that they are social landlords, not for profit and are funded by rents and grants, and any surplus is meant to build new homes. Clearly you are doing much more than that. Your rents decrease because people are in arrears and you are doing all this extra work. How has that affected your ability to ever build more homes?

Carol Matthews: Our building is down 40% from our peak. We are building less.

Aileen Evans: Placeshapers members across the country report that they will build significantly fewer homes as a result of this.

Q181 Teresa Pearce: So, there is a crisis in housing, which is caused by the waiting list, and this is actually having a severe effect on housing associations' ability to build new homes.

Carol Matthews: There are two reasons: the sector has supported the housing crisis by taking on more of the cost of development. There has been a fundamental shift to revenue support from all the housing associations, and then we are having to reduce our capacity as a result of the scale of welfare changes.

Q182 Teresa Pearce: It is a 40% reduction in real terms.

Carol Matthews: A 40% reduction in house building from our peak.

Aileen Evans: I do not have the number, but Placeshapers members report a significant decline. Certainly, taking the Grand Union Group as typical, just on our costs of welfare reform—not including provision for bad debt—that would be enough to service the debt for 55 new homes immediately. If you replicate that across the sector, add in the bad debt provision and it is hundreds of thousands of homes.

Q183 Chair: We have exhausted our questions. Was there anything that you were burning to say when you came along and have not managed to say in the very detailed answers that you have given us?

Carol Matthews: We all agree that if a common-sense bedroom standard that was based on the DCLG definition was provided going forward, that would enable us to deal with freeing up enough units for where we have overcrowding.

Chair: You made that point very well.

Aileen Evans: We are a diverse sector working in diverse areas and, actually, we need some flexibility around getting some diverse solutions. Certainly, the under-occupation penalty might be solving a problem in London, but it is creating many more problems across the country.

Duncan Forbes: My point would be the complexity of individual circumstances is something that we need to really make sure the system is capable of coping with, because it is the only way of succeeding.

Chair: I was not meaning to go along the line of witnesses. These are all things that you have already said. May I thank you on behalf of the Committee for appearing here this morning? You do represent a wide range of different providers, and you have given us a very useful insight into the problems you are facing and the challenges you have. Thanks very much. Your evidence will be very useful to us when we come to write our report.