HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Support for housing costs in the reformed welfare system, HC 720, Wednesday 18 December 2013

Ordered by the House of Commons to be published on 18 December 2013.

Written evidence from witnesses:

Panel one:

- Industrial Communities Alliance
- Local Government Association
- Newcastle City Council
- West London Housing Partnership

Panel two:

- Centrepoint
- National Landlords Association
- Residential Landlords Association

Watch the meeting

Members present: Dame Anne Begg (Chair); Debbie Abrahams; Graham Evans; Sheila Gilmore; Glenda Jackson; Stephen Lloyd; Nigel Mills; Anne Marie Morris; Dame Angela Watkinson

Questions 184 - 291

Witnesses: **Laurence Coaker**, Head of Housing Needs, London Borough of Brent, West London Housing Partnership; **Professor Steve Fothergill**, Director, Industrial Communities Alliance; **Councillor Joyce McCarty**, Deputy Leader, Newcastle City Council; and **Councillor Sharon Taylor OBE**, Chair of Local Government Association Finance Panel and Leader of Stevenage Borough Council, gave evidence.

Witnesses: **Laurence Coaker**, Head of Housing Needs, London Borough of Brent, West London Housing Partnership; **Professor Steve Fothergill**, Director, Industrial Communities Alliance; **Councillor Joyce McCarty**, Deputy Leader, Newcastle City Council; and **Councillor Sharon Taylor OBE**, Chair of Local Government Association Finance Panel and Leader of Stevenage Borough Council, gave evidence.

Q184 Chair: Welcome to our third evidence session on housing costs in the reformed welfare system. You are the first of our two panels this morning, so we might shuffle you off rapidly if we are to get through everything before 11.30. Please introduce yourselves for the record.

Laurence Coaker: My name is Laurence Coaker, head of the housing needs service at the London borough of Brent.

Professor Fothergill: I am Steve Fothergill. I have two roles in this context. I am a national director—chief officer—of the Industrial Communities Alliance, which represents some 60 local authorities in the older industrial areas of England, Scotland and Wales. I am also a professor at Sheffield Hallam university. I am co-author of a rather widely quoted report on the local and regional impact of the welfare reforms.

Councillor McCarty: I am Joyce McCarty, deputy leader of Newcastle city council.

Councillor Taylor: I am Sharon Taylor from Stevenage borough council, and I chair the Local Government Association finance panel.

Q185 Chair: Welcome. It does not seem that long since you were with us for a slightly different inquiry.

May I start with questions on the benefit cap? How is the benefit cap affecting tenants in your areas and what support are you putting in place to help them?

Councillor Taylor: It is very early to say exactly how the benefit cap is going to impact on, particularly, the tenants moving out of their own areas and into other areas. We are looking at doing some work on this in the LGA, but we feel that at the moment it would be a bit premature to take that work on. This goes back to the questions we have been looking at generally around the welfare reform agenda. You will remember, Chair, that we commissioned a survey from the Centre for Economic and Social Inclusion, which looked at the cumulative impact of welfare reform in general. It found that four out of five of welfare claimants would not be able to mitigate the impact of the benefit reforms, because work, or the right kind of work, was not available to them, or because housing costs are unaffordable and high. We think that most families will be affected by about £1,600 a year. For those that the benefit cap hits, it is around £3,000 a year. For people on very low budgets, £3,000 a year has a dramatic effect.

Q186 Chair: We have questions about the cumulative impact, and I want to pick up on what you said about not being able to find work, but can I ask the other two local authority reps whether they have noticed the benefit cap having an effect?

Laurence Coaker: In west London, we have certainly seen a significant increase in homelessness. I think landlords have anticipated the cap. The local housing allowance cap, which came in initially, has had a detrimental impact on the private rented sector in west London. Now, with the overall benefit cap, although it came in only in the middle of August for our sub-region, a lot of the landlords anticipated that, and they have been serving possession orders and obtaining bailiffs' warrants to the extent that the No.1 reason for homelessness in west London—I think it is a national thing now—is the end of a private sector tenancy, whereas before it was parental exclusion.

Q187 Chair: Okay, there is quite a lot there. You are saying that the private rented sector is actually evicting tenants who are on housing benefit?

Laurence Coaker: That is correct.

Q188 Chair: In anticipation of the benefit cap—it is not even based on reality?

Laurence Coaker: That's right.

Q189 Chair: So, presumably, you have not been able to help the people in the social rented sector affected by the benefits cap by placing them in the private rented sector? Or are most of the people affected always in the private rented sector, because that is where the rents are highest?

Laurence Coaker: Certainly, the private sector is the most affected. Some in the social sector are affected, but we have not really seen evictions in the social sector because of the cap—it is too early—but certainly, in the private rented sector landlords have been evicting their tenants and that has caused an increase in homelessness.

Q190 Chair: Presumably, the local authority still has responsibility for these people under homelessness legislation? I am not so sure how it is in England, but I know it is certainly the case in Scotland. It is slightly different in England, but you must still have responsibility, so what do you do?

Laurence Coaker: We absolutely have a responsibility. We have a statutory duty to rehouse these families, and it has caused significant problems in my borough, Brent, with an increased use of emergency bed-and-breakfast accommodation.

Q191 Chair: Yet that is more expensive?

Laurence Coaker: It is.

Q192 Chair: Does that not blow the benefit cap? The fact that temporary accommodation is more expensive must then put that family over the cap. If they were over the benefit cap in private rented accommodation, they are bound to be over the cap in temporary accommodation because it is even more expensive.

Laurence Coaker: But we have a statutory duty to house these families, so we have no choice. They are statutorily homeless and the majority of them have children, so we have to place them somewhere. We have not got the council stock to put them in and we do not have permanent accommodation, so we are heavily dependent on the private sector.

Q193 Chair: Is this costing the taxpayer more money? Is it just a different taxpayer: instead of central Government paying it through housing benefit, the local authorities are having to pay it through their funds?

Councillor Taylor: It certainly is. It is an increased cost to councils. I have done some calculations in my council, and putting more staff into the homelessness team, into the customer services centre and so on in a relatively small council—we are a district council—has cost around £400,000 just this year. We do not know whether that is an ongoing cost or whether it will be for a couple of years while the system settles down, but the cost of this sort of revolving door—where people are into temporary accommodation, then you are getting them back into more permanent accommodation—in terms of dealing with the fallout on families is very high.

Q194 Chair: Wearing your Local Government Association hat, are you doing any work to quantify how much this is all costing?

Councillor Taylor: We are just going out to our members now and asking for information about whether people have done that piece of work. I did it for my authority because I was interested in it, and we have a welfare reform taskforce in my authority. That is a piece of work that the Finance Panel will need to take on early in the new year. It was a bit early because we wanted people to go through the first year of this system and then give us the first-year figures. We will be asking people to do that at the end of the financial year.

Q195 Chair: Have any of you raised with Government that, from what you are saying, this policy is costing more and not saving the taxpayer money?

Councillor Taylor: We will be raising that with Government when we have the quantified figures.

Chair: You have not raised it yet?

Councillor Taylor: It would be premature to do that without some quantifiable data.

Q196 Chair: Do you have any sense of whether the Government accepts that, or is this not really about how much it costs, as the benefit cap is an article of faith?

Councillor Taylor: I think parts of it have been accepted. For example, we have made the case very clearly that moving people from social housing—council housing—into the private rented sector in some parts of the country can double the cost of their benefits. That case has been made very strongly and I think that Government have understood that. They have not changed anything so that we do not have to do it, but the point has been made. There is some evidence from Newcastle—they have done some quantification for a big metropolitan council. Joyce will be able to give you a better idea of the figures for her own council.

Councillor McCarty: Chair, to be honest the benefit cap is not significant in Newcastle. That is why we need local rather than national solutions to these issues. There are only 106 families affected in Newcastle—I think that the north-south issues will be very different.

Q197 Chair: Are most of those in temporary accommodation? Is that what pushes them above the cap?

Councillor McCarty: No, they will all be in permanent accommodation. Most of them will be in the private rented sector. From our evidence, rent arrears in those households have gone up from 17% prior to the benefit cap to 53%, which is a worry because obviously that debt is obviously growing. We have tried to put things in place which support those families. We have given discretionary housing payments to 65 of those families, but we know that is not a long-term solution; it can only be given for a short period. We are working with them. We know that two people have moved from within the private sector, but that is not really tied with the cap; it was more about their families' needs.

We have also worked with the landlords of some of those families to try to reduce their rents. That has worked in 10 cases that we know of. In four of those cases the landlord agreed to that and in six of them they did not. So we are trying, in a range of ways, to reduce the burden on those families. The average loss in Newcastle per household is about £57 a week, which is obviously quite significant, but it varies from pennies up to about £150.

Laurence Coaker: I would support what my colleague said about the north-south divide. In Brent alone, we have over 1,800 households that have had their overall benefits capped and a number of households are being made homeless because of that. The issue is supply and demand. We cannot access the private rented sector to help these families, and it is a double whammy because they are being evicted from the private rented sector because of the cap. They are being made homeless and there is nowhere for these families to go in my borough and west London, so we are having to look further afield.

Q198 Chair: What about moving? When we took evidence on this not long after the change of Government, one suggestion was that people would be moved out of London, or would be prepared to move out of London to lower-cost areas. Is that happening?

Laurence Coaker: It certainly is happening, but it is not something that people are doing voluntarily. Some are—a very small percentage will move voluntarily, because they may have a connection with another part of the country that has cheaper rents that makes them happy to go—but the vast majority are very against moving out of Brent, let alone west London or beyond. We are placing families, who we have a statutory duty to, in the midlands now simply because we cannot procure affordable accommodation anywhere nearer to London.

Councillor Taylor: There is a knock-on effect to that as well. Where we know that families are moving out of London boroughs, then we can work with that. Sometimes—not always—these are families with complex needs, so we need to work together to make sure that where there are families with complex needs, we know that they are coming and what needs they have got. It is also pushing rents up in out-of-London areas, particularly the coastal towns and, in some areas where councils like Brent are placing people, there is a spike in rent increases because of that, which is causing problems.

There is also a lack of housing supply overall in the country. We have got 50,000 families in the country affected by the benefit cap, and about half of those are in the private rented sector. The shortage overall of low-cost accommodation, which is not the same everywhere in the country, but is certainly very acute in the south, will not be solved unless we get some movement.

We have had a little bit of movement from Government in the lifting of part of the housing borrowing cap, but all over Europe there is no housing borrowing cap, because housing borrowing is treated differently from other borrowing. In this country, it is not, and if we lifted that housing borrowing cap completely, the Local Government Association estimates that we could get 60,000 homes built very quickly. That is an absolute key priority for us and a key lobbying priority. As I said, we have had some movement on that, because we had a slight lifting of the cap in the Autumn Statement, but it needs to be lifted completely.

Q199 Sheila Gilmore: A lot of attention has been paid to the overall benefit cap—what I think I am hearing you saying is that that is different in different places—but prior to that there were two major changes in housing benefit in the private rented sector: the LHA cap, which did not affect my area but obviously affected others, and the move to the 30th percentile, as well as uprating by, currently, only 1%, so there has been more experience of those changes. One of the things said to justify that was that it would cause landlords to reduce rents in line with that change. What is your experience of that?

Laurence Coaker: It is the opposite in Brent and probably London. Again, it is a supply and demand issue. When local housing allowance first came in in 2008, we were able to access a lot more private sector accommodation, because the private sector landlords were very willing to take families on benefits because of the rental income that they could command, so in 2008, 2009 and 2010, we were placing lots of families in the private sector.

When the local housing allowance cap came in in 2011 and we went to the 30th percentile, all of these landlords suddenly didn’t want people on benefits, because of the cap, and they didn’t lower their rents. Some did—we had a mitigation team that, as my colleague was saying, did some negotiation with landlords to reduce rents—and some did if the effect was £10 or £20 a week, but when the effect was £200 or £300 a week, there was no way that the landlord was going to reduce their rent, because it was an area of high demand.

The local housing allowance rate in my borough is £350 a week for a three-bedroom property; the market rent is £600. If I am a landlord, why would I take someone on local housing allowance at £350, when I can go to the high street and get 20 or 30 professionals who are waiting for private sector accommodation and are willing to pay £600 a week?

Q200 Sheila Gilmore: Have any of you used the suggestion that, as a carrot for landlords, LHA could be paid direct? I raised the issue with my local council at a meeting last week and they had never heard of it, and yet it was discussed here. Do any of you have experience of actually using that—of going to a landlord and negotiating a lower rent in exchange for a direct payment?

Laurence Coaker: We have, and as I say, where the shortfall is £10 or £20 a week, perhaps that is the carrot that will swing it in our favour. However, when the shortfall is hundreds of pounds a week, if they are going to get £350 paid directly to them or they could go to the private sector—the professional market—and charge £600 a week, they take the latter option. And of course, that is not my client group; my client group are the homeless families on benefits.

Q201 Graham Evans: This is a question for Laurence, and I then have one for Sharon. You mentioned homeless families with children. Is it the priority to get such people into permanent accommodation and into work so that they are out and have a fresh start? You also mentioned the midlands. Do you look at areas where there is employment and readily available accommodation? If you're talking about families, you are looking at three and four-bedroom properties, which are not particularly available in London, but perhaps are in the midlands, the north and elsewhere, so do you actively look for the availability of those sorts of properties and at whether people could be re-trained, re-skilled and go into work?

Sharon, you mentioned coastal towns. In my experience, coastal towns are not great places to put unemployed people because employment is not always readily available there. Perhaps it would be more sensible to put them into areas where employment is available.

Laurence Coaker: The first thing to stress is that moving people out of London is the very, very last resort. We have a team of officers who will work with families and try everything that we can to facilitate them getting into work and therefore avoiding the cap in the first place.

Graham Evans: In London?

Laurence Coaker: In London—in west London. We have been fairly successful. I think that that has worked for around 40% of the families that we have had contact with, bearing in mind that we have been doing this for more than a year now, because we anticipated the cap coming in in April 2013 and it was delayed. We have been working on this since November 2012. Throughout the past year we have had great success, I think, in getting families to engage with us. The attitude to work has certainly changed. Whereas before we would work with homeless families and with various employment initiatives and they weren't interested—they were focused on their housing—now that they can see the link between homelessness and employment, they are very willing to engage with us.

As I say, around 40% have got into work. However, there are many others—60%—for whom there are genuine barriers to work. They are just not work-ready—they have large families, there are language barriers or skills barriers, and so they are not able to get into work. We have a statutory duty—we've got to house these families—so why Birmingham? I mustn't say Birmingham; it is the midlands.

We did some research, not just on local housing allowance rates but on the market rent. For instance, in Brent the local housing allowance is at one level, but the market rent is much higher. There will be pockets between London and the midlands where it may be affordable, but the properties aren't available. They may be available in a trickle, but not in the volume that I am looking for. I currently have 400 households living in my temporary accommodation, and they are capped. The only reason they are not accruing rent arrears as we speak is because we are using the discretionary housing payments. That budget is going to run out on 31 March, and then we are going to get next year's allocation, but I understand that that is going to be a 30% to 50% reduction. I am really worried that we are not going to have the DHP budget to keep these families afloat, so I am almost in a race against time to find suitable, affordable, available accommodation.

The nearest hub to Brent that has good transport links back to our borough and where the demographics and diversity issues are good is the midlands. I accept that the employment prospects are not as good in the midlands as they are in London, but it is a chicken and egg thing. If people get a job, fine, they can hopefully remain in London; but if they are unable to access the work market, we have a statutory duty to house them, and we have to put them somewhere. That is why it is the midlands.

Councillor Taylor: It is not just about jobs; it is about sustainable jobs. One of the reasons why it is costing my council a lot of money is that people are going into temporary work, part-time work or zero-hour contract-type work, so their benefits are constantly changing. The Local Government Association has done a lot of work with the DWP, as you know, on the local support services framework. We think that there is scope for that to go much further, so that local authorities are involved in linking people's employment and benefits more closely, and linking that to economic development in the local area.

We can work on community budgeting in the same way that we have worked on other subjects, such as troubled families, to tackle what Laurence described as the underlying causes of people's underemployment or lack of employment. We can work with our partners in health and the skills sector to tackle problems such as alcohol and drug misuse or mental health problems, and make sure people have the skills to get into the right kind of local employment. We can use that to help towards the overall growth agenda in our areas. That is why we have been calling for a greater involvement of local government. We have made some progress, but there is much more scope.

Q202 Chair: Is the figure that Laurence quoted—the 40% in Brent who were affected by the cap and have moved into work—the same percentage across the country, or is it quite high because it is London and there are jobs in London? Do you have the figures for the whole country for the number of people who have moved into work? I know that this is a sensitive issue. The Secretary of State got into trouble for saying that there was a link between the numbers who had been looking for work and were in work as a result of the cap.

Councillor Taylor: I don't have the figures for that.

Councillor McCarty: I have, for my authority; 13% of tenants in social housing have found work and have therefore been taken out of the cap.

Chair: So it is 13%?

Councillor McCarty: It is 13% of those, but it is only eight out of the 106 families.

Q203 Dame Angela Watkinson: Are you able to prioritise working families—albeit they would be on a very modest income, otherwise they would not be entitled to benefits—to ensure that they stay near their place of work?

Laurence Coaker: We try to, where possible. If they are living in the private sector already and they have a property to protect and they are close to work, we will use the DHP to give them an extra boost to get them over the finishing line so they secure the employment. They should then be able to remain in their accommodation. There is a problem if they have lost their property and are roofless when they come to the local authority but they have a low-paid job—a good example is taxi drivers, of whom we have an awful lot in Brent—and the income they declare is minimal, so they are not capped. We are not able to access the properties in Brent or the surrounding boroughs, so, yes, we are having to move families away from low-paid work because we cannot access affordable accommodation to keep them close to their work.

Q204 Dame Angela Watkinson: With taxi drivers in particular, if they have done the Knowledge in London they clearly need to be working in London.

Laurence Coaker: These are not black cabs, but mini cab drivers. I am not sure if they do the Knowledge. That is just one example. We also have cleaners. I had an example of a lady who was giving out leaflets in a local restaurant. That was her job, and she was working the required 16 hours a week, so she wasn't capped. You can imagine that it was a very low income. But even though she wasn't capped, because she was roofless we were unable to find affordable accommodation for her. The conversation with her was, "I'm sorry, but the only accommodation we can secure for you is going to be too far for you to commute to your place of work, and we can't sustain that."

Q205 Glenda Jackson: Can I go back to Sharon? Are you picking up on people who are having to move out of their homes because of this? Are you picking up the kinds of pressures that are being put on the receiving local authority, for example, in respect of schools, health services and the kind of support services that are around? As you said, some of these families are quite troubled. Are you compiling those figures? Have you got any information on that?

Councillor Taylor: The LGA has not done that piece of work yet, because it is too early to do it, but we have a small piece of evidence; we had a Hertfordshire leaders' meeting on this the week before last, and we have some evidence from Broxbourne, for example. The figures are not massive at the moment, but what they have seen, which is quite worrying, is agents being incentivised with cash incentives from London boroughs to take tenants. I do not know if Brent is doing this. I understand why London boroughs would do that, but that means that the local councils are struggling to work with agents that they have normally worked with, because they cannot afford to give the cash incentives that are being offered by London boroughs.

On families with complex needs, in some cases some boroughs are really good and liaise with the receiving area, but others are not so good. We, as an association, need to do some more work on this area in the new year, when the picture is a little clearer. As I say, the numbers in Hertfordshire are not massive, but probably the housing costs are too high in Hertfordshire for it to make enough of a difference.

Q206 Graham Evans: Can you clarify "complex needs"?

Councillor Taylor: Yes. Families with, for example, mental health issues or drug or alcohol problems, or families where there is a long history of unemployment—and perhaps school attendance has not been what it should be. They may not be hitting all the criteria for troubled families work, but they may be. We would not necessarily know that they were coming into the area, unless we have good relationships with the area that is sending them to us.

Chair: I am going to move on, because I realise that we are still on question 1, and we are halfway through.

We now move to questions on what we are calling the social sector size criteria. Sheila has those questions.

Q207 Sheila Gilmore: In terms of people affected, could you briefly say what steps people are taking in your area, or you are helping them to take, to resolve the issue?

Laurence Coaker: In Brent, we have about 600 in our own Arm's Length Management Organisation (ALMO) and about another 400 in the registered providers, so about 1,000 tenants in total in my borough. All of the landlords, including the ALMO and the providers, are making proactive contact with these households, to talk to them. Before it came in it was, "What are you going to do when this cap is applied?" and "How are you going to cope?" We have increased our downsizing incentive, so we are trying to help families who have got spare rooms.

If they do downsize to the appropriate size of property, we are prioritising them through our choice-based letting system, by making them a priority band, allowing them to choose a smaller property. Plus we are paying them £2,000 per room that they relinquish. Then the void property that is created—the larger unit—we are ring-fencing for tenants in temporary accommodation who are affected by the overall benefit cap. But the feedback from a lot of our tenants in the ALMO, at least, has been, "I will cope. I will make up the shortfall. I don't need to move." Also, with the announcement from Labour that if they got into power they would reverse this, I think people are clinging on to that as well. So they are seeing what is going to happen at the next general election. That is the feedback that I am getting from the ALMO.

Councillor Taylor: We organised speed-dating events for people in properties that are too big, who are subject to bedroom tax, to meet people who are in smaller properties.

Q208 Chair: Is it working?

Councillor Taylor: It has had limited success, because we get a lot more people there wanting bigger properties than those wanting smaller properties. So it has had some effect, but it has not really dealt with the bulk of the problem.

I want to comment on people with disabilities who are having to move out of properties. I have one case—there are many of them, I am sure—where £40,000-worth of adaptations have been done to a gentleman's council property. If we move him, we have got to put that in in the new property that he moves into; and he has got to be found a suitable property, because he has a whole network of support and needs that need to be met. We are currently supporting him with DHP, but, as Laurence said, the DHP is limited, and although he has been in this property for 20-odd years, he now only knows for six months at a time whether he is going to get his DHP to stay there; and this is someone that has lived with a very life-limiting disability for over 20 years. So it is very harsh on him.

Q209 Graham Evans: How many spare rooms has that gentleman got?

Councillor Taylor: He has got one spare room.

Graham Evans: If that came to my constituency surgery I would sort that out. It doesn't sound right.

Councillor Taylor: We have sorted it out. We have got him on the DHP.

Sheila Gilmore: How would you sort it out, Graham?

Graham Evans: I would stop it. It doesn't sound appropriate. It wouldn't happen. If you have spent £40,000 on that gentleman's property—

Councillor Taylor: It doesn't make any difference. He is still subject to bedroom tax on his spare room.

Graham Evans: He should speak to his MP.

Chair: I think we can argue about that.

Councillor Taylor: We have helped him with DHP, but the DHP means that, as far as he is concerned, he only has six months at a time when he knows he is going to get that DHP. I think that is really harsh on someone with a severe disability.

Chair: I think the argument is that he is not exempt from the extra rooms.

Councillor Taylor: He is not.

Q210 Chair: I think what Graham is saying is he would probably get DHP, but I presume local authorities don't know how long DHP is going to be available.

Councillor Taylor: Exactly right, Chair.

Chair: So it may just be putting off the inevitable when they get DHP.

Councillor McCarty: Can I share what we do?

Sheila Gilmore: You are obviously in a different position.

Councillor McCarty: Chair, if you will allow me, I will call it bedroom tax, because that is what we call it.

Bear in mind that in Newcastle we have 23% of our residents living in social housing, which is managed by our arm's length management organisation, Your Homes Newcastle. Nationally it is under 10%, so we have got a significant number; there are about 5,500 people affected by bedroom tax and 4,700 of those are tenants in our social housing.

What the staff did was go out and do one-to-one visits, so they carried out something like 9,000 visits to try and speak to each one of those people, and if those families were willing to work with us we were doing everything that we could to support them through discretionary housing payments, making sure that they were getting the benefits to which they were entitled.

Often, on disability, if people don't tell the advisers that they are disabled, they don't necessarily get all the benefits that they are entitled to, so there is quite a bit of work under way on that. They carry on doing that through our financial inclusion work, supporting credit unions, encouraging them to join credit unions and save, and helping them to do that.

At the moment 66% of the tenants are in arrears in our property, which is much higher—about double—what it would have been before April; so that can be allocated, really, to the bedroom tax. There are about 139, currently, pending eviction, since the bedroom tax was introduced, which is tied directly to the bedroom tax. As I have said, on what we are trying to do with each of those, we might have gone through the court processes, but we are not actually looking to evict. We are trying to work with these individuals to try and maintain them in their homes.

Actually, this echoes what Sharon was saying—we have got case studies, real examples of people. An individual who couldn't afford bedroom tax and couldn't afford to move was offered a place in the private rented sector which would cost housing benefit £20 more a week. So he said "No, I can't take that, because I can't afford that." He thought bedroom tax was preferable to that, but actually housing benefit would pay that in the private sector, so that is just nonsense, really.

Other examples are where we have got not far off 3,500 people wanting to have one-bedroom properties now, who have expressed an interest, because that means they potentially don't pay for their second bedroom. Each year we probably have about 800 free, so it will take us several years to allocate those people into houses.

We have gone through redesignation. You will understand, I know, that the law is very clear, so in order not to breach the law you have got to do that on really sound ground. So for disabled people who have got their second bedroom as a walk-in shower, that is really easy, because you can redesignate that fairly easily. We have got one we will redesignate where it is a couple living together, where one partner has mental health problems and they have a safe room, because when this individual has mental health problems he gets very violent; so there is a safe room that we have built in this part of the council housing stock. To charge them bedroom tax seems totally unreasonable, since we think that is about maintaining the safety of that family.

We have examples, similar to Sharon's, of disabled people, where we have spent £20,000 to £30,000 ensuring that the home is accessible. To move them from a three or four-bedroom house such as that to somewhere else and spend another £20,000 or £30,000 to upgrade it seems nonsense.

Q211 Sheila Gilmore: Do any of you assist people with the cost of moving if they are able to access somewhere else?

Councillor McCarty: Yes, on a small scale. Some of that might be the crisis money or the discretionary housing. We might use some of that to help people.

Councillor Taylor: That is more complicated in two-tier areas, because the upper-tier authority has the crisis loan fund. We work with them and we can do that, but there is a slight complication. We also have priority in our allocation schemes, like they do in Brent. I think a number of authorities have taken that route if somebody is willing to move. However, that means that somebody else is not getting housed, because these people who need to be housed are getting the priority in the allocation scheme. So it solves one problem but pushes the balloon out somewhere else.

Q212 Sheila Gilmore: In Newcastle, what is the pattern of demand for house size for people who are applying for housing but are not currently housed?

Councillor McCarty: That has really changed since the bedroom tax was introduced, in a way. People want smaller properties now and over many years. Previously, people wanted to have space in their rooms. Not that long ago we pulled down one-bedroom flats. We are thinking of redesignating complete tower blocks of two-bedroom flats as one-bedroom flats, because people cannot afford them. Of course, the impact of doing that is huge, because that is a loss of rental income as well. That means that the housing revenue account would have less money to invest in properties as well. It is about the knock-on effect of dealing with all of those issues.

Q213 Sheila Gilmore: If you redesignated them you would get the rental appropriate to a one-bedroom property, not a two-bedroom property.

Councillor McCarty: Yes, which would reduce the income from each of those flats.

Councillor Taylor: Many housing authorities have taken on several million pounds of borrowing. My authority has £210 million of borrowing that we took on. If I redesignate properties from two-bedroom to one-bedroom, I cannot meet the business plan to pay that back. That is a huge financial issue for the authority, on top of the right to buy sales.

Q214 Sheila Gilmore: There has been some discussion about the difference between the number of bedrooms and the number of bed spaces. I think some housing associations in particular have raised that as an issue for them. Are any of you changing policy to take into account the difference between those two?

Councillor McCarty: This is the way that we have dealt with it. In our audit document—an audit of all the properties that you own in your arm's length management of council housing—if they are down as two-bedroom properties, they are two-bedroom properties. That is the way that we have used that. We have not gone down the route of altering things. In some homes, there might be a bedroom on the ground floor, which some of us might call a dining room. We have tried to be sensible about how we would describe a bedroom. If it does not take a bed, it would be ludicrous to describe it as a bedroom, but some of them are described so, sadly.

Councillor Taylor: In new towns, most of the housing is built to Parker Morris standards. It is very difficult to say a bedroom is not a bedroom when it has been built to some fairly rigorous standards. It is a slightly different issue for new towns. We are doing what we can to help people like the constituent I spoke about earlier. It would be artificial to redesignate our property, although I know it has been done in some areas of more traditional housing. In Leeds, for example, I think they have done some work on this. It has been done.

Chair: Can I just bring in Glenda and Angela, and then I will come back to Sheila?

Q215 Glenda Jackson: My question is about joint tenancies. It is based on a constituency example where a parent and child are joint tenants of a council property, but the adult child is disabled. Her father is excluded, by virtue of being a pensioner, but because she is disabled she has been caught by the bedroom tax—they both have in a sense—because they need a spare room. He can no longer care for her when she has her periodic breakdowns and she is incapable of moving. There is another family member who can come in and be there for 24 hours until she recovers. I am wondering if anybody is looking at the potential traps out there in that joint tenancy situation.

Councillor Taylor: If people need overnight care, they can be entitled to a second bedroom without being subject to bedroom tax. My constituent has that, but he also has another room as well, so if that person, according to their medical specialist, may need overnight care—even if it is not permanent and is from time to time—they are entitled to a second bedroom without paying bedroom tax.

Q216 Chair: Even if it is a family member?

Councillor Taylor: Yes, if it is a family member.

Q217 Chair: So long as they are not habitually living there?

Councillor Taylor: Yes. If there is someone in the house that needs that overnight care, even if it is not permanent and is from time to time, that is a way of allowing an extra room without them being subject to bedroom tax.

Q218 Dame Angela Watkinson: How many overcrowded families have you been able to rehouse into larger and more suitable accommodation as a result of removing the spare room subsidy?

Councillor McCarty: Not very many from our authority. I will have to look it up.

Chair: Perhaps you could write to us. It would certainly be a useful figure.

Laurence Coaker: As I said earlier, we are using the larger void units that are being created to allocate to large, homeless families who are living in temporary accommodation. So we are not tackling overcrowding; we are tackling the other problem we have—the families who are capped by the overall benefit cap living in temporary accommodation.

Q219 Dame Angela Watkinson: So homeless families take priority over overcrowded families?

Laurence Coaker: For this period, yes, because we have such a volume of homeless families who have been capped.

Q220 Sheila Gilmore: Do you have any suggestions for how issues around disability could be raised? I think everybody has said in their written submissions what proportion of people with disabilities are affected by the cap. You can comment on that further if you want. However, when this argument has been put, it has been stated that it would be difficult to define for this purpose which disabled people might or might not be excluded from this. Do you have any views on how it could be defined in order to alleviate the problem for disabled families?

Councillor Taylor: This links in with the wider role of local authorities in benefits administration. Local authorities are able to take this kind of difficult decision, with medical evidence, to say, "Does this person actually need the additional room?" I am sorry to keep using the same example, but to use the one of my constituent, when he is bed bound, as he is from time to time, he has a carer and a room for the carer to stay in. The additional room, which is fairly small, is used for the carer to prepare meals, so he does not have to go downstairs to collect meals and things.

In that case, if the evidence was to come through the local authority, we would be able to take a decision about the whole case, such as all the adaptations. You have to take out adaptations as well. You have to take them out of the property that he is in, so another family can go in there—unless you find someone with exactly the same disabilities, because they are bespoke. You have to decide whether it is worth taking them all out and putting them in a new property. We would be able to take all that evidence together and make a decision.

Q221 Sheila Gilmore: So you see that as something local authorities could decide on a case-by-case basis?

Councillor Taylor: I think local authorities can do that. We are close to those people. We deal with other aspects of their housing tenancy and I think we would be able to do that.

Q222 Sheila Gilmore: Does anyone else have a view on how you might have a more general definition of who should be exempt?

Laurence Coaker: We thought you may want to link it to a qualifying benefit. Because people are being migrated from the disability living allowance to the PIP—the personal independence payment—as I understand it there is a higher threshold. So if you are in receipt of PIP, that could be a way of saying that you are excluded from the bedroom tax.

Q223 Sheila Gilmore: But that is going to take some considerable time. It is going to be 2015 before most existing DLA claimants will be changed.

Laurence Coaker: You could go now on the DLA, if you are in receipt of DLA.

Q224 Chair: But local authorities must be making these decisions now, because they are giving people DHP. They must be distinguishing between those who deserve DHP and they might think should be exempt, although they are not, as opposed to those they are refusing DHP. There are some disabled people who have applied for DHP and are not getting it because the local authority still thinks that they are overhoused.

Laurence Coaker: The problem with DHP is that it is a finite pot, and it has to have an exit plan. It cannot be indefinite; you cannot just top up rent indefinitely with DHP, so you need to know what is going to happen.

Q225 Chair: Yes, but local authorities are deciding now whether people qualify for DHP. Is there a way of formalising this so the DWP is able to say to local authorities, "If you have already decided that this person, because of their disability, qualifies for DHP, we will allow you to exempt them from the spare room subsidy," or whatever we want to call it?

Laurence Coaker: Yes.

Q226 Chair: So there is a solution there, you think? That would certainly answer Graham's point about the obvious injustice of someone being charged for the extra room when it is clearly needed or it would cost a lot to move.

Councillor Taylor: We have asked the Centre for Economic and Social Inclusion to do more work for us on the use of DHP over the period. We will have that evidence for you early in the new year, Chair. We will be happy to send that to you. That is really important in understanding how DHP is being used. We have had confirmation from Lord Freud that councils will get the full amount of funding for housing benefit for the first year before universal credit comes in, but we have not had confirmation regarding the second year yet.

Chair: We have questions on that.

Councillor Taylor: But we did get some additional DHP. We think DHP is very underfunded at the moment.

Stephen Lloyd: We have some questions on that.

Q227 Nigel Mills: The question I would like to ask is about—I will use the neutral term—social sector size criteria. When you have your housing allocation policy, and a new prospective tenant comes in, you presumably want to give them only the size of accommodation they actually need, rather than what they might like. Is that true?

Councillor McCarty: Chair, there is not enough housing to meet those needs, which is the difficulty. We do not have enough homes; if we had enough homes of the right size, then, yes, potentially you could offer that, because you could meet that need, but we do not have enough homes currently.

Councillor Taylor: It is the overall housing supply that is causing the serious problems in providing people with the right-sized property for their needs and in having the flexibility to allow people to move as their families grow. That is why we end up with families with two or three children in one-bedroom flats—we do not have the flexibility in the system. We need to increase the housing supply quickly to get things moving again, which is why we recommend lifting the housing borrowing cap.

Councillor McCarty: I think people are doing that themselves. It is not that we are limiting availability; they are opting for that. So, if they are on their own or in a couple, they are asking for that kind of property, but, sadly, we just do not have it.

Q228 Nigel Mills: So the housing supply that has been built up over the years does not really fit people's needs very well?

Councillor McCarty: It does not fit their needs immediately—now—given the political decisions that have been made about benefits. As I said earlier, we have pulled down some one-bedroom properties in recent years because there was no demand for them.

Q229 Nigel Mills: Why was there no demand for them? Did people prefer to have a larger, two-bedroom house, even though they did not need it, effectively? The other point you raised is that if you move somebody from a social rent to a private rent, that pushes the benefit bill up, but that is only if you cannot re-let the social house they have moved out of to somebody who would otherwise be paying a private rent. Have you had problems with tenants leaving housing and no one wanting it any more?

Councillor McCarty: We have lots at the moment that people do not want to move into. We cannot get people to move into the tower block I mentioned, with two-bedroom flats. That is partly because these are families who want somewhere, as Sharon said, and tower blocks are not necessarily ideal. But couples and individuals do not want to move in, because they know they will have to pay additional costs. It is partly choice and partly the cost for individuals.

Councillor Taylor: I think there is a north-south issue here. Property is so scarce—I do not know whether it is the same in Brent—that every property is sought after, and people will work hard to work on properties and change them. The demand is so huge that I do not have properties that people will not go into.

Q230 Graham Evans: In London?

Councillor Taylor: No, this is in Hertfordshire.

Laurence Coaker: In Brent and in many parts of London, everything will fly off the shelf.

Q231 Nigel Mills: Can we move on? We have probably left you out of these questions for quite a while, Professor Fothergill, so can I ask you about the cumulative impact on claimants in the study that you did? Perhaps you could just set out what your key findings were and what the implications of those are.

Professor Fothergill: I have kept my powder dry because I think this is the territory where I can bring to bear some expertise. Also, in truth, this is the territory that my authorities in older, industrial Britain are most concerned about. We need to think about this cumulative impact of welfare reforms in two respects; there is the cumulative impact on individuals and households, but there are also the cumulative effects on particular places.

If we take the individuals and households side of things first, what you need to bear in mind is that the housing benefit reforms are only part of the jigsaw of what is going on at present. You are well aware of that. As things are experienced by individuals and households, there are lots of things affecting them simultaneously. In particular, there are some households that are being hit not only by the social sector size criteria—let's call it the bedroom tax, its easier—but will also be affected by the reforms to incapacity benefits. That is the really big one in the overall welfare reform jigsaw in terms of amounts of money being taken away from claimants. Some of the same households may also find that in the changeover from DLA to PIP they are losing entitlement, or having their entitlement reduced. On top of that, of course, we have the council tax benefit changes, so for the very first time, many of these households will be having to pay a proportion of their council tax bill. It is the cumulative impact on the individuals and the households that becomes really worrying.

I suppose if there is one group in particular that is absolutely in the firing line here, it is classically older, working-age, working-class couples who are out of the labour market and have been claiming sickness and disability benefits, incapacity benefit and DLA. They will often be living in social rented accommodation. Their kids may well have grown up, so they are affected by the bedroom tax, and, of course, the council tax benefit changes come into play. That is a group that is in danger of being pushed from being able to muddle through tolerably comfortably to being right down to at or below the poverty line. That is the issue of cumulative impact on individuals.

In parallel to that, we need to be alert to the cumulative impact on places. The welfare reforms—the housing benefit element of the welfare reforms—are not impacting evenly across different local authorities. We have already heard comment this morning about the north-south differences, and it is very true in the context of the overall household benefit cap. It is primarily, although not exclusively, an issue for London. It is much less acutely an issue in the north. Conversely, the bedroom tax bites hardest in the places where there is a big stock of social rented accommodation and high levels of worklessness, people on benefit or, in some instances, in-work households on very low wages.

If you look at the overall impact of the reforms, what you actually see is a huge difference across the country in terms of where the impact is falling. This is the difference at the extremes between some authorities being hit four times as much per person in the working-age population as some of the least hit places. The worst hit places are typically my old industrial local authorities in northern England, central Scotland, the Welsh valleys—those sorts of places. Also, some of the seaside towns have been particularly badly hit, as well as a number of inner-London boroughs where the housing benefit reforms impact very badly and very harshly indeed. We need to be alert to the fact that this is not about everybody being affected equally across the country; the impact is actually being felt much more in the poorest local authorities. In those local authorities, it also tends to be the poorest people who are facing the impact.

Q232 Nigel Mills: Do you recognise the Sheffield Hallam number, which I think was that the average cost was something like £470 a year per adult of working age?

Professor Fothergill: Yes. If you take all the welfare reforms together—I am talking not just about the housing benefit reforms here, but all of them together—that averages £470 per working-age person across the whole country. That is everybody between the ages of 16 and 64. At the extremes, I think that the very worst hit place of all is Blackpool, which has a particularly pernicious combination of high worklessness and very high numbers in the private rented sector on benefits. I think that the impact there averages at £900 per adult of working age.

There is a whole swath of—broadly—southern England outside London that escapes very lightly. The average impact there is around only £280 to £300 per head, because worklessness is much lower in those parts of southern England and far fewer people are reliant on benefits. It is a fairly obvious point, but if you are cutting the benefits bill it is going to impact most on the places where benefits claimants are concentrated.

Q233 Nigel Mills: Can we split these changes up? Presumably, if something such as incapacity benefit changes, where you are just reassessing whether somebody actually meets the criteria, that is a different situation to saying to somebody, “You still meet the criteria, but you will now effectively get less.”

Professor Fothergill: The incapacity benefit changes are multi-headed. The big one in the package is not about whether or not people will continue to qualify for ESA, as it has now become; it is the fact that after 12 months on ESA, their contributory, non-means-tested entitlement comes to an end, even if they have met all the relevant medical tests. If they have a partner in work or significant savings, or if they perhaps have a pension because they had to retire early from their last job on the grounds of ill health in their early 50s, they will find that their entitlement to employment and support allowance payments will come to an end. They will still get national insurance credits as an ESA claimant, but they will not get any money any more. That is the really big one in the system.

Q234 Nigel Mills: Presumably you would accept that you have to draw the line somewhere and say that we can give benefits only to households that need them, not to households that somehow do not. Whether you agree with where that line is drawn is a different point.

Professor Fothergill: I am not trying to pass judgment here; I am just trying to document the effect on households in particular circumstances and the effect on particular places. I am sure that we all have personal views as to the merits or otherwise of some of these changes, but let us just get the facts out to the public. The welfare reforms will hit some places much harder than others and will hit some sorts of household much harder than others.

Chair: Sorry, but we are running out of time. I said that I would bring in Debbie, so I will, but we are then going to move on because we still have a lot to get through and we have another panel as well. If you could be very brief, Debbie.

Q235 Debbie Abrahams: In your assessment, did you also consider the new sanctions regime that was introduced in 2012? We know that 1.35 million people have been affected, and 5% of JSA claimants are sanctioned every month. You may also be aware of the CAB report about what that means for accessing food banks and so on.

Professor Fothergill: In truth, no, this particular analysis does not include that element of the reform package. I think that there has been a growing realisation of the scale in the increase in sanctions imposed on JSA claimants perhaps only in the past six months. If we were doing the work again now—we did it over the course of winter and early spring this year—we would probably wish to see whether we could add it in. It would only boost the figure of £470 per head, and would probably have a geography as well.

Q236 Debbie Abrahams: Absolutely. Is that something you might consider doing to refresh the data?

Professor Fothergill: Well, if somebody would commission us to do it. These are not negligible tasks, I have to say.

Q237 Debbie Abrahams: As a former academic, I fully recognise that.

Councillor Taylor: It is not just the JSA sanctions; the delays in dealing with Atos appeals are leaving people with no money for months and months. There are penalties for people who undergo Atos assessments and wait for months.

Q238 Debbie Abrahams: Absolutely. I fully recognise that as well. In your place assessment did you factor in the fact that local authority grants in northern areas tend to have been the worst affected?

Professor Fothergill: No, we didn't, but we were aware of that happening in parallel. In terms of the impact on the local economy, it is a double whammy. A disproportionate amount of money is being taken out of the local economy through reduced benefit payments, and a disproportionate amount is being taken out through reduced local authority grants.

Chair: We have talked about DHP, but we have some more questions about transitional protection.

Q239 Stephen Lloyd: As you are no doubt aware, last year £60 million was allocated to DHP and £10 million was returned. Despite that, the Government have bumped it up to £180 million this year, and we will have to wait until the end of the financial year to see how much is returned. Why do you think there is such a disparity among councils? Some spend all their DHP, some are not spending all their DHP and £10 million has been returned. Let me go to Councillor McCarty first, then Sharon, then Laurence.

Councillor McCarty: I can't speak for other authorities, but we spent all our discretionary housing payment over the past two years. We have about £200,000 left in the current year's fund, out of £685,000. We anticipate spending that, and we are putting in a bid for more money.

The need levels are quite significant. Over the past couple of years it has been quite low, but this year we have 561 waiting to be assessed and we have had huge numbers of people who have been supported through that. The difficulty for us is that it is short term. If you agree to support a family while they work out how best to manage their resources you can only do that for a short period of time, and people are coming back for discretionary housing support. Coming back to Debbie's question on the issue of cost, we have had to take on additional staff in the council to support that work and to manage the process. We are joined-up; we are working with other partners.

Q240 Stephen Lloyd: I appreciate that. I have some figures that I will relay in a minute, but have you any hunches about why a significant number of councils don't seem to be spending it all like Newcastle, and are returning it? I am looking at Joyce again.

Councillor McCarty: I don't know. I am looking to Sharon, because she might have a better response.

Chair: Stephen is asking about the return last year. Presumably, nobody has returned anything this year. The bedroom tax has affected people only since April, so we are talking about slightly different things. Last year, the DHP situation would have affected only those in the private rented sector, as opposed to this year, when it will also affect those in the social rented sector.

Q241 Stephen Lloyd: Well, let's ask Sharon. In the LGA, do you have any idea why £10 million out of £60 million was returned?

Councillor Taylor: The Chair has hit the nail on the head there. The welfare reform has been implemented in a phased approach, so the fact that the different welfare reforms have been introduced sequentially has had different impacts around the country. Certain parts of the welfare reform agenda will affect different areas differently because of the different aspects of the economy in that area—house prices and so on. Applications to DHP and other discretionary funds have varied across the country. Councils are allocating their DHP according to those local circumstances, so that is why you will see a difference between not just different parts of the country, but different authorities, depending on their own circumstances.

Also, councils will take a different approach to DHP and how they use it. If a council is able to reallocate rooms, for example—I cannot do that in my council because of the nature of the housing in my area—they may not need to use so much of their DHP for that purpose. It is about the local circumstances. As I said, we will do some survey work to get a much better idea of this and we will—

Q242 Stephen Lloyd: So the LGA will track that?

Councillor Taylor: Yes, we are tracking that. We will give you some evidence in the new year.

Q243 Stephen Lloyd: Good. I have some numbers from last year. We have been talking about Brent. Laurence flagged that a number of ALMOs are waiting in the general hope that Labour sweep to victory, but I find a couple of figures quite interesting. Camden and Haringey last year returned £291,000 and £233,000 respectively and Manchester returned just under £600,000. Do you believe that there is any connection other than the things you have been talking about that explains how some similar councils appear to be returning those funds? Brent, to be fair, retuned only 11 and a half grand, but there seems to be an enormous disparity and I wonder if it would help councils if the DWP were much more explicit about what that money could be spent on so we could have codified parameters for people with disability. It might prevent some councils playing some political games with it. Does that resonate at all, or do you think it is a complete coincidence that a significant number of Labour councils have retuned?

Councillor Taylor: I do not think that councils would want any further guidance or regulation on the use of DHP. The very important thing about it is to have local discretion in how you spend it. I think the issue—

Q244 Stephen Lloyd: So how do we ensure that all the councils use the money on DHP that they are supposed to and do not return it? Are you telling me that in Haringey and Camden last year they could not have spent 250 grand or 290 grand?

Councillor Taylor: We are talking about the cumulative impacts and the time they have taken to work their way through the system. I took virtually no people in my authority to court last year. This year, I have issued summonses in the thousands for rent arrears because of the cumulative impact of these welfare reforms. I think we need to get some evidence for you from our member authorities about DHP and how people are using that. We will submit that to you in the new year.

Q245 Stephen Lloyd: And that will be with your LGA hat on, so it will be across the whole sweep?

Councillor Taylor: It will be the whole country.

Q246 Stephen Lloyd: That is important. I take the point that being short term is a challenge. My constituency, Eastbourne, returned 179 quid, so it worked as tightly as possible. By coincidence, Hastings, next door, returned £53,500 and it is more deprived than Eastbourne. I will leave you to draw your own conclusions from that.

Our frustration is that whatever we think of DHP, the spare room subsidy, bedroom tax or whatever, its point is to try to make the transition as smoothly as possible. My concern is that some councils are doing that better than others and I am interested whether you have a view on that. Hopefully, from what you were saying, the LGA will produce data that will put some flesh on the bones, but do you have any concerns that, just possibly, some of the councils are not really using all the DHP they can because that would not fit, just possibly, their narrative, or is that a complete fantasy on my part?

Councillor Taylor: I think it is extremely unlikely that councils would do that. Councils are doing everything they can to support their communities through what is a very difficult time. As I said, the cost to councils, which we have not quantified yet, is very significant in dealing with this agenda. I think councils' interest is in helping their communities through what is a very difficult time, in terms of helping residents with employability. We have an income maximisation process to help people get the income that they need to sustain their living and to help with housing issues, but councils vary. The LGA shares best practice, so if there is best practice when we get the evidence on DHP, we will certainly share it with our members.

Q247 Stephen Lloyd: Is the LGA aware, as Laurence said when he was talking about Labour in the general election, that if you split it—Labour, Tory, Liberal—and look at what percentage return it, I think Labour returned a lot more of their DHP compared with the Conservatives, who returned a little more than the Lib Dem councils. It is quite a significant figure, so I look forward to the LGA getting that data, because you will be surprised when you see it.

Glenda Jackson: Possibly the reason they returned theirs was because they did not raise their rents to the rate that the Government had thought that they should, and the big shift has, of course, been the bedroom tax.

Chair: Laurence is trying to get in. We will hear from Laurence, and then we have to move on.

Laurence Coaker: It is difficult for me to comment on Camden and Haringey. I can only talk about my borough of Brent, where we absolutely do everything we can to spend every penny. We returned £11,000 last year, but the budget was £1.8 million, and we had to make that budget last for 12 months. We do not want to get into the position that I believe Haringey are in this year. They have spent their DHP budget already, and they have another six months without any money left because they chose to top up 100%.

Q248 Stephen Lloyd: Perhaps they learned after returning £233,000 in the previous year.

Laurence Coaker: That was last year.

Chair: Are you finished with your questions?

Q249 Stephen Lloyd: I have a question on the social fund, but thank you for that previous exchange; it was very interesting.

Before it was localised, the social fund provided crisis loans and assistance with rent in advance, which were obviously important in helping claimants to move into new properties. Homelessness representatives are concerned and have made representations to us that some local authorities are no longer providing this sort of funding through their local welfare assistance schemes. Do your schemes provide funding to help people move?

Laurence Coaker: Yes.

Stephen Lloyd: All of you?

Councillor Taylor: The vast majority of councils have set up their own local schemes. Some have pulled the money, but some have not. We are aware that some councils are using this to help people with moving costs and storage and so on where they are moving them around. There has been a much more local approach. Because we deal with the people who come to us for welfare assistance, we have taken a localised approach. There has been a big shift to benefits in kind—electricity cards and things like that, and providing people with white goods—rather than giving out cash.

The LGA has consulted with a number of councils about the scope, demand, design and delivery of these schemes, and it is emerging that councils find that that is quite a positive thing. It has enabled them to deal with this much better at a local level to meet local need. At the moment, it looks as though there might be some savings, but we have not got through the winter spike phase yet. If someone’s cooker breaks down, we have to replace it quickly. We need to go through the whole year’s cycle before we can comment effectively on the overall picture.

We need to make sure that our new responsibilities are properly funded. Constantly cutting the funding will not help. When we have the evidence, we will provide that for you. It is important that we do this on an evidence-based basis.

From a more local perspective, I have a brief comment. This is very different in two-tier areas where the county council—in my case—have the scheme. There has been quite a difficult process to get to it. I think the county council are addressing that now, but it will not be the same everywhere. We need to think about how this operates in two-tier areas, because where there is a housing authority, it can be helpful, and you need good liaison between the two. We used to have the crisis loan scheme for people in crisis. If it takes them three weeks to get through to someone, that will not deal with their crisis.

Glenda Jackson: Again, this is anecdotal, but I have certainly had constituents who have come to me, and Jobcentre Plus has said to them, “There is no social fund any more.” Could this be looked at? I know it has been reduced hugely and that the standards for getting into it are quite high, but there are occasions when the individual would qualify, not for everything they need, but partially. There is, however, this thing out there now that there is absolutely no kind of funding that you could call social funding any more. Perhaps this again is just a London problem.

Chair: I think that it is different in Scotland, but that is happening even in Scotland. I will bring Sheila in briefly, because I said she could get in here, then we have two more questions, before moving on to the second panel.

Q250 Sheila Gilmore: Do your authorities—in the case of the LGA, do you know of any authorities—apply a means test to make decisions about DHP? In other words, looking at people’s circumstances—if so, would you include DLA or PIP income as income?

Councillor Taylor: I think we need to find that out from the evidence gathering that we are doing. I cannot answer that question today.

Laurence Coaker: We don’t.

Councillor McCarty: We do, and we have refused people, because it is about their disposable income, so we have made decisions based on that for those people. Linking that to

Mr Lloyd's question, I think that it is really important that those decisions are taken locally, because we have the information—we know if they are receiving support from other parts of the council—and we can work with our local partners to make sure that we are making the best decision possible with the information that is in front of us.

Q251 Chair: But I think Sharon also said that it is a postcode lottery, and yet you are asking for local discretion. The two are not compatible; if you want to do away with the postcode lottery, then you should not have local discretion, but should have guidance from Government, but I think you are averse to even more guidance from Government. Do you not see that there is a tension there?

Councillor McCarty: Is that not more about the level of funding that is available? It is about a postcode lottery, because depending on where you live, we have limited amount of funding to support that; in other areas, they have different levels of funding, because—

Q252 Chair: Okay, so it is the money that they have available to spend that is a postcode lottery, not how people decide to spend it.

Councillor McCarty: That is how I interpret that, yes.

Chair: Right. Graham has got the council tax—try to keep this to two short questions, then we will call in the next panel, who have been sitting waiting patiently.

Q253 Graham Evans: How does the introduction of localised council tax support schemes affect the level of council tax collection in your area? What impact has this had on tenants and local authority funding?

Councillor Taylor: As you know, all local authorities have done this in a slightly different way. We have all introduced the scheme differently: some authorities decided not to charge residents who had not previously paid any council tax; others have introduced charges; and some have limited it to certain groups, not including other groups. To answer your question, what we have seen in local authorities that made no cuts to the benefit is a 15% increase in the number of liability orders issued—so even those that had no cuts, had some. However, the figure goes to 30% in local authorities that introduced a council tax support scheme.

People are really struggling to pay this amount, and that is why my legal action has gone up so drastically—it is because of people who are not able to pay. It is a relatively small amount in cash terms—it would be around £3 a week for most people—but if your disposable income after you have paid your rent and whatever else you need to pay such as your energy bills is between £6 and £20, an extra £3 a week to pay is a big pressure on the family budget. Most councils are reviewing the council tax support schemes at the end of the year—I know my council is, and perhaps other councils can tell you what they are doing—but there is no doubt that this has put some additional pressure in the system, and the legal costs are extensive.

Q254 Graham Evans: With your LGA hat on, you mentioned using best practice with your members. It sounds like it is a bit of a mismatch. Are you looking at introducing the best practice to members who are best to introduce to this?

Councillor Taylor: We share best practice on anything that local authorities are doing. The problem with this scheme is the 10% cut in the overall funding as it came to local authorities, and then the protection of pensioners—we all understand why that was necessary—meant that councils had a difficult job to determine how they were going to work on their schemes. Of course, different areas have different demographics, so the type of system it was necessary for you to introduce depended on what your demographics were. That is why we have such a variation of schemes around the country. It wouldn't be a one size fits all because the demographics are so different in different places. There is a very high percentage of older people in your area, so they are not affected by it. The burden on the others—the working-age population—is much greater.

Q255 Chair: You have already said that there were great pressures on universal credit. Those are the ones that are hitting the dust. The last time you appeared in front of us, Sharon, you said that the local support services framework was still very vague. Am I right in assuming that is still the case or has there been any big movement on it?

Councillor Taylor: We have a new version of the local support services framework, which was launched by Lord Freud at our conference last week. There has been some very productive work going on with the Department on the local support services framework. As you know, local authorities have a huge appetite to take on more of this agenda, particularly around employability and skills issues.

Q256 Chair: I am going to raise an issue with you that was raised in our evidence session with Lord Freud and the Secretary of State last week, to do with the slowing down of the roll-out of universal credit. We now know that 700,000 people will not be on universal credit by 2017—those in the ESA support group, I think, or possibly the ESA WRA group. Obviously, they will continue to qualify for housing benefit because they will not be on universal credit. The Minister said that their housing benefit would continue to be paid separately, as now. Presumably, local authorities were intending to wind down their housing benefit offices because by 2017 they were not expecting to have to deal with it separately, so was it news to you, and if it isn't news to you have you done any work to prepare for it?

Councillor Taylor: I think we were grateful for the certainty of knowing the date when universal credit would be introduced. What we absolutely do need is to make sure that the funding is guaranteed. We have only had the funding for the existing system guaranteed for 2014-15, so we need the guarantee for 2015-16 and then going right up to the date when universal credit comes in, because we have staff employed to deliver these services and we need to know that we can continue to provide them in the way we do until universal credit comes in.

Q257 Chair: So do you think that it will take extra money to continue to pay housing benefit separately to the group of people who will not be in UC by 2017?

Councillor Taylor: We need to make sure that whichever way that is done, it is fully funded for local government, because we need to be able to ensure that we can carry on paying those benefits to the people who are not in UC until UC comes in properly and fully. Our key piece of work with the Department at the moment is to make sure that that is happening. You will know that the pilots that have been undertaken are reporting on the detail of how universal credit has worked. That has helped, and we think it is a helpful delay to the start, because we did not think that enough work had been done on it.

Chair: I am sure we have more questions, but we are over time, so thank you very much for coming along and for your evidence, which we will find useful.

Examination of Witnesses

Witnesses: **Jennifer Barnes**, Policy and Research Manager, Centrepoint; **Chris Town**, Vice-Chairman, Residential Landlords Association; and **Carolyn Uphill**, Chairman, National Landlords Association, gave evidence.

Q258 Chair: Thank you very much for waiting patiently—we are running 15 minutes late, which by our measures isn't too bad. Will you please introduce yourselves for the record?

Chris Town: My name is Chris Town, and I am vice-chair of the Residential Landlords Association.

Jennifer Barnes: I am Jennifer Barnes, the policy and research manager at Centrepoint.

Carolyn Uphill: I am Carolyn Uphill, chairman of the National Landlords Association.

Chair: Thank you. You have sat through most of the previous session so you can probably guess what some of our questions are likely to be.

Q259 Debbie Abrahams: I wonder if you could, as we heard from the previous panel, give your own understanding of how the changes to the local housing allowance affected rents to private landlords.

Chris Town: You are talking about LHA and its introduction, so we are going back some time. There was quite an impact at the time and many landlords lost a lot of money because of the insecurity of the payments, and the vulnerability criteria were quite tight at the time. That has slackened off significantly, but nevertheless there was quite an impact and it is ongoing, particularly with the current changes and under-35 single accommodation.

Q260 Debbie Abrahams: So would you agree with what the previous witnesses said—that in 2008, when it was introduced, an increasing number of private sector landlords wanted to rent to people on housing benefit, but that since the 2011 changes that has reversed? Is that your experience?

Chris Town: The experience varies across the country. Clearly, in areas where there is much more demand, there is much more choice in the tenancies you take, but when we survey our members, the vast majority are reluctant to take benefit claimants, not just because of the benefit and welfare changes, but because of higher management costs involved in managing benefit claimants.

Q261 Debbie Abrahams: Jennifer Barnes, would you like to add to that?

Jennifer Barnes: Sure. As part of our work supporting homeless young people, we run a rent deposit scheme to help people to access private rented tenancies in London and the north-east. We have had pretty strong feedback from both areas that they have not seen rents drop as a result of LHA rates going down. In London, they have seen rents continue to rise, which means that the gap between LHA rates and rents is growing.

In the north-east, they have not seen that same pace of increase in rents, but nor have they seen rents dropping as a result of the LHA rates going gown. In London in particular, young people on LHA have to make a much bigger top-up from their jobseeker's allowance or income support to access any property, largely because there are so many other tenants out there for landlords to take. Increasingly, we are seeing that even if rents are advertised at a level that may be affordable at or just above LHA rates, young professionals are coming in and offering above the asking price. Understandably, landlords want to take them, which makes it much harder.

Chair: Can I ask you to speak up a bit?

Jennifer Barnes: Sorry. Young professionals are increasingly outbidding our client group and making it much harder for them to access tenancies that they can realistically afford, even with a top-up on their LHA levels.

Debbie Abrahams: That is very helpful.

Carolyn Uphill: We must recognise that what we really have is a supply side problem. There is a chronic shortage of accommodation, so any downward pressure on rent is limited by the fact that so many people are looking for property. There has been a fall in rents in certain areas of the country, such as the north-east and Northern Ireland, and some downward pressure in other northern areas, but in London, as everyone is aware, the pressure is upwards, which is a supply-side problem. There is not enough accommodation and the cost of purchasing housing is going up, so rents have gone up.

We must look at the fundamental misunderstanding of what private landlords are. They are investors in property to provide homes for other people and a return for themselves. They cannot afford to reduce rents unless those rents add up to the amount of money they need to cover their costs. They have to pay for mortgages, maintenance, repairs, licensing fees and gas safety tests. It is simply not the case that landlords can reduce rents just because the benefits situation changes, hence landlords are nervous about taking people on benefits. Our statistics tell us that in the last three years there has been a 50% drop in the number of landlords taking people who are on benefits. It is now down to only one fifth; 22% of our landlord members whom we surveyed say they have LHA tenants, and 52% of those surveyed said they would not look at taking on benefits tenants.

Q262 Debbie Abrahams: That is very helpful. Thank you very much.

Bearing in mind the evidence we heard from the previous witnesses, there seem to have been slightly different approaches by different landlords. I wonder whether that is your evidence, too, in particular when existing tenants are having trouble paying their rent because of the changes. What is your experience of how landlords deal with that?

Carolyn Uphill: Again, it varies. Another thing to recognise is that landlords are not a homogeneous breed. They differ throughout the country. You have large-portfolio landlords. You have small-portfolio landlords, such as myself—I have six properties in Manchester, which is very typical. There are also landlords who have just one or two properties and who may be renting not as a first choice, but because they cannot sell the property. They would all approach the matter differently. If a landlord has a good, reliable, paying tenant, whether on benefit or not, their first approach would be to keep that tenant on board if they can afford to do so. As was said earlier, if the difference is £10 or £15, a landlord will look at that to see whether it can be accommodated. If a tenant is having problems, the first point is to talk to the landlord—good communications. The National Landlords Association is running an effective letting campaign, where we emphasise the importance of good tenant relations and communications right from the start. We have a tenant information pack freely available to all landlords and tenants on our website—landlords.org.uk—which outlines the obligations of both landlord and tenant, and fundamental to that is communication.

At the end of the day, however, if the gap is too big, the landlord simply has to bring in enough money to cover the rent. It was mentioned earlier on as though it was a criticism that some landlords are looking to issue notice to tenants, but that is because they need their income. I think Joyce mentioned that they were in a situation where tenants were in arrears and looking at eviction, but they were trying other avenues first. With respect to social landlords, they are able to do that, because they have other ways to subsidise what they would be earning on that. They are not going to have their properties repossessed. They are not going to be made bankrupt. An individual private landlord could be in that situation.

Q263 Glenda Jackson: But has there not been an increase in shorter and shorter leases as far as private landlords are concerned? There was the issue during the Olympics of where people were getting very short tenancies—

Carolyn Uphill: I think that that was a very specific London issue. In reality, nearly half of tenancies last for four years or more, because once a landlord has a good, reliable tenant, who is paying the rent and looking after the property, they have no business incentive to want that tenant to move on. It costs them to re-advertise a property, and voids mean that they have no income coming in. If the relationship is working, a landlord's first choice is not to move tenants on.

Q264 Debbie Abrahams: How big an issue is the change for private sector landlords?

Carolyn Uphill: It is extremely worrying to them, because—

Q265 Debbie Abrahams: In terms of priority, is it No. 1 or No. 2?

Carolyn Uphill: 52% of our landlords say that they would not consider taking somebody on benefits, so they are completely turning away from that market because they are so uncertain and feel that the risk is too great. They feel that the risk of not being paid is too great and that people on benefits may need more management. We are losing the tenancy relationship officers in local authorities because of cost-cutting, so we are losing that local assistance that could help landlords and tenants where there is a problem. That is another concern.

Q266 Debbie Abrahams: What about the relationship with local authorities? As you say, I am sure rightly, the majority of landlords will not want to put a family out on the street, so what relationship is there to try to manage the issues that were being described by the previous witnesses?

Chris Town: I think where people have flexibility, they will use that, but there is clearly a point beyond which you cannot go. DHP is one thing, but it is not a sustainable thing for a tenancy, because as we have just heard, most tenancies in the PRS are four years-plus and the vast majority are ended by the tenant themselves—more than 90%—so it clearly a last resort for landlords to move a tenant on.

Jennifer Barnes: It is certainly true that it varies a lot between landlords, but landlords are willing to work with our rent deposit scheme and to let to young people on benefits. We have found that eviction is a last resort, but support services such as ours quite often do play quite an important role in that. The first point of call would be to come to us, and we will develop a repayment agreement. However, ultimately, if they cannot meet that agreement, landlords will eventually have to evict, because we recognise that they also have bills to pay.

Q267 Glenda Jackson: But are these landlords that you have a specific relationship with—landlords who are concerned with letting to your tenants?

Jennifer Barnes: They are landlords we have brought into the scheme, so there is certainly a self-selection element here, because these are landlords who have agreed to—

Q268 Glenda Jackson: They are not putting cards up in the corner shop or necessarily advertising in the local paper; they work specifically with you.

Jennifer Barnes: No, they have agreed, so part of our deal with landlords of offering them a rent bond is that they have to contact us before they will take any eviction process against a tenant.

Q269 Debbie Abrahams: My final question is about how the benefit cap and the bedroom tax have affected landlords providing temporary accommodation for local authorities. Have you noticed an impact?

Chris Town: We have had representations from local authorities, but it has not gone any further than that. They have a problem, in some cases, in working a workable lease out. One proposal they made was to lease back private sector properties, but a lot of these things never got off the ground. I know there are schemes in London where local authorities take up leases on properties, but it is very patchy around the country. There is not much impact there, and there is not much availability in the PRS, to be honest.

Carolyn Uphill: That is the thing: it does not necessarily tie in with the size of accommodation that the private rented sector has available.

Q270 Dame Angela Watkinson: My question is about shared accommodation and younger people. I preface my question by commenting that the vast majority of young people do not earn enough to live independently, and the norm is to remain in the family home until such time as they do earn enough and then they have to find somewhere in a place that they can afford. First, could you define "young" for the purpose of this question? Are the changes to the shared accommodation rate and the non-dependent deduction impacting on the ability of younger people to rent in the private sector—I imagine they must be—and has there been an increase in the number of young people sharing accommodation?

Chris Town: There has certainly been greater demand. We have got feedback from out in the community that a number of people under 35 are searching for any accommodation they can get in many parts of the country.

Q271 Dame Angela Watkinson: Are these young people where there has been family breakdown and they are not able to stay at home?

Chris Town: No, it is simply because the accommodation is not available any more. If they are on welfare, in particular, but even if they are in temporary work, landlords are referencing people very closely now, because clearly there can be quite a gap between the single-room rate and the market rent for that particular accommodation. We have not seen an increase in Houses in Multiple Occupation (HMOs) to accommodate people under 35 either, purely because the HMO market generally is students and, to a lesser degree, professional sharers. People on welfare renting HMOs is a different matter. It is very difficult to manage that type of accommodation with welfare recipients because they have different lifestyles, so HMOs generally go to people of a common lifestyle, such as students.

An interesting point about students we have found being fed back to us is that graduates who wish to stay in the city where they have gained their degree are finding it very difficult to stay on in the accommodation, again, because of the single room rate being lower than the rate being charged per room for a student. Also, there are complexities. Many landlords have told us that they will not take benefit claimants, they will only take students. That is bringing up, in some respects I would imagine, an employment issue for people, where they just cannot stay in the area where the employment prospects are greatest.

Q272 Chair: Can I just tease that out a bit? Is the problem for those who are unemployed, and therefore dependent on housing benefit, the fact that it is quite difficult to share and get your single room rate, or is it regulations or the DWP that are making that difficult? If they are doing it for students, what is different about individuals who are not students sharing?

Chris Town: Well, students generally come as a group—a friendship group. If you are letting an HMO—I am a landlord myself and I have actually done this, although I am not in that market any more, so I can speak from experience—

Q273 Chair: But there are quite strict regulations, aren't there, about HMOs being registered if more than three people are sharing?

Chris Town: Yes. There have to be five or more over three floors for a licence, but clearly the HMOs that are smaller than that are not licensable. You also have the issue of the article 4 directions that many cities have taken on, which has restricted the amount of HMOs that can be created.

Going back to your question about the management, a friendship group—whether students, nurses, or whatever—generally comes as one group, not as individuals, so letting room by room to working people is possible. For benefit claimants it is more difficult, because of the—in some cases—haphazard nature of their lifestyles.

Q274 Chair: With students, is one person the leaseholder, whereas individuals on the single room rate—

Chris Town: You are letting room by room, and it is just not a workable prospect.

Carolyn Uphill: If I can come in there—because I am a student landlord and have personal experience of that—this is an area where other factors are making things far, far worse. The article 4 directions, which many councils are bringing in, are restricting completely—preventing in many cases, such as in Manchester—the development of any more HMOs. They will not allow planning permission for any more HMOs, so the existing HMOs are in demand from student tenants, who, as Chris rightly says, come as a group that knows each other and usually gets on, and you have far less problems. Then you have the young professionals, who may be those same students graduating and wanting to stay on, and at the bottom of the pile are the people on benefit. So with less accommodation and with the additional management problems you have with people where they do not necessarily know each other, that group is being completely squeezed out. A supply-side problem that was bad enough in the first place is getting worse, because local authorities are taking action for one problem they perceive without understanding the further difficulties that is creating.

Q275 Chair: And of course there are more of them, because the age limit for the single room rate has gone from 25 to 35.

Carolyn Uphill: It is up to 35, indeed; but the student market is aware of this higher demand for HMO properties. We as student landlords were quite worried two or three years ago, when the fees were coming in, about whether we were going to have trouble letting property. There was one year when the numbers coming to university dropped slightly, but now it seems to be back where it was—certainly in Manchester—and the students are looking ever earlier for accommodation, because they know they have got to grab it because it is such a competitive market. So the people on benefit are just not getting a look in.

Q276 Chair: And a competitive market means the rent goes up as well.

Carolyn Uphill: The main advantage of students is that a landlord is reasonably confident they will get the rent, because students can get the loans. It is about risk management. The landlord needs to know they can get the rent. The student is a good bet; young professionals are the next best bet. Unfortunately, benefit people are the most risky.

Jennifer Barnes: We are certainly seeing that problem within our client group. We work with under-25s, and they have always been subject to the shared accommodation rate, but since the 25s to 35s were brought in, it is increasingly difficult to find something for under-25s, because they are generally seen as a riskier bet. Landlords are putting a lot more requirements on letting to young people, so we are seeing adverts with a preferred minimum age of 23 or 25. If they are willing to accept young people, they quite often want a guarantor, but we work with homeless young people and they often do not have someone that can provide that role, so as you say, they are kind of slipping further and further down the pile in this busy market.

Q277 Sheila Gilmore: Even in the student market, people are asked to provide a guarantor—that has happened with my children—so you do not just have the loan; you grab the parents as well.

Carolyn Uphill: It is a fairly secure tenancy, which is why landlords are attracted to it. Then you know you can pay the mortgage on your property.

Q278 Glenda Jackson: I have raised a constituency matter before—I know it is anecdotal—of two cases of young people being released from prison and finding it absolutely impossible to find anywhere to live. Is there any linkage at all, between central Government or local government and the private landlord sector, highlighting this possibility? Is there any working between any Department to say, “Is there any possibility of you either reserving, or pushing us in the direction of someone coming out of prison, hopefully, being housed?”?

Chris Town: Many councils have a housing options department which—

Q279 Glenda Jackson: And is there that direct link?

Chris Town—secures that link. They will underwrite the rent for the first 12 months and perhaps give a bond or bond guarantee, as well; so there is that, but again it depends on supply—

Q280 Glenda Jackson: It is very patchy then, isn’t it?

Chris Town: Yes, exactly.

Jennifer Barnes: And often there are restrictions about who can enter those schemes. There are schemes in London that will offer the landlord an incentive to take in that person, but they often limit it to priority cases that they have a duty to deal with.

Chair: Let’s go back to Dame Angela, whom we interrupted.

Q281 Dame Angela Watkinson: My second question is about vulnerable young people who have disabilities and the difficulties they might experience. What changes have you noticed in that, particularly if they have mobility difficulties and need ground-floor accommodation?

Chris Town: That is not a high-demand area. It tends to be the social sector that takes up disability. We do see disabled people coming into the private sector, but it is not an issue generally.

Q282 Anne Marie Morris: With the introduction of universal credit, clearly a number of things will change that will impact landlords and tenants. Payments will be monthly and go to the tenant rather than the landlord. Carolyn, you have already kindly given us quite a bit of information about the support you are offering as an association to try to help landlords. What do you think the Government might be able to do to provide more support for landlords dealing with bad debts and arrears and the challenges that we can all see coming?

Carolyn Uphill: I think the support has got to be in bridging the gap. The way the proposals are at the moment, the tenants are going to fall off a cliff, where the presumption is that payment will be to the tenant and they can manage their affairs, without any preparation and education for that tenant in how to do that. We have to recognise that some people would find that very difficult.

Landlords will be much more comfortable taking tenants on benefits if, first, the tenant could opt in to direct payment initially and, secondly, if vulnerable people were automatically put on direct payment, and then a process of educating the tenant to manage their responsibility was undertaken, rather than just assuming they will be able to manage it. In the west midlands, Homestamp, which is chaired by the National Landlords Association, has developed a training pack to go into schools in PSHE lessons to train young people in how to understand and manage their finances in relation to housing—what it costs, the obligations around housing.

That is the area where you need to start, so that people coming into the housing market understand what it is all about, understand how to manage money and therefore can become responsible citizens. To expect, just because the benefit changes on day one, that they will suddenly be able to cope is unrealistic. Landlords are frightened of that, and that is why they are so risk-averse to taking them on. We think a stepped approach, with an opt-in to direct payment, would make such a difference to landlords' willingness to take on that sort of tenant.

Q283 Anne Marie Morris: Okay, that is very helpful. As a follow-on from what you said, clearly education is key. School is the obvious place, but if you miss that, is there an intervention that could be put in place in jobcentres?

Carolyn Uphill: Again, as I mentioned earlier, the tenancy relations officers in local authorities can help tenants with their understanding. Yes, there could possibly be something in jobcentres. We do not have a formulated plan on that. Any form of support that could ease tenants and landlords into this relationship, rather than have it from day one, would definitely ease the worries that landlords have.

Q284 Anne Marie Morris: Okay. Chris?

Chris Town: Clearly, the five weeks after the claim for benefit has been put in is the danger area, because the claimant is getting no money whatsoever, unless they are subsidised. When the money does come in it is in one lump, and clearly the rent will be the last thing that gets paid after everything else. That is not a cynical view; that is a fact.

I know the Government are having difficulties getting banks on board, but we would like to see an obligation to have a jam jar account created at the point of the offer of benefit so that money will go into the jam jar account. Living costs can be drawn out of that, but the rent element would be ring-fenced. We know that landlords are already doing that with credit unions and so on where they are available.

There is a cost to that, and that is quite a serious thing. A landlord can pay up to £12 per transaction to receive money via a ring-fenced account. Of course, the big banks are not interested in that, as far as we know. That is what we would like to see, so that there is security at least for the first payment, and maybe ongoing through the relationship between landlord and tenant. Of course, a tenant can change that arrangement, because it is their banking arrangement, but in the first instance we would like to see that put in place. That would give landlords a huge amount of confidence that at least the first payment would be coming to them.

That brings us to another point about communication. At the moment, through local authorities, as we know, landlords are kept in the loop. We know that the claim has been put in place, and we are also told about how much we are going to receive, or how much the claimant is going to receive, and when they are going to receive it. Under universal credit, that is not currently clear. That is another thing that we really need to know to give us confidence in this particular change.

Q285 Anne Marie Morris: That is really helpful. Jennifer?

Jennifer Barnes: I would certainly echo that. The links that schemes like ours currently have with the local authority are really important. Landlords tend to want direct payments, particularly with vulnerable client groups such as ours. Our scheme in Northumberland is delivered in partnership with the local authority, so that process is actually relatively easy. We can testify on behalf of young people about their support needs, and every young person going through the scheme will get a direct payment granted.

What is not clear under universal credit is how well the system is going to operate with local landlords and local services such as ours when the process is centralised. It would be good to have more information for landlords about how they will be able to feed into that process, and also, generally, more information about who will qualify. Obviously there is provision for alternative arrangements under universal credit, but we have certainly found that there is not much understanding among landlords about how that is going to work and who will qualify.

In many ways, we find that perception among landlords is everything. We saw a spate of landlords refusing to let to young people after speeches about cutting housing benefit for under-25s. Although that has not gone through, and although I am sure that our client group would probably be exempted from that, if landlords perceive it as a risk, that will have a serious knock-on effect on their desire to let to claimants. So I think that information and links are really the key things that would help us.

Q286 Anne Marie Morris: Okay. So I think that what you are saying is that, with the advent of universal credit, without some of these things being fixed, you might find a reluctance among some of your members—among landlords—to take people on benefits. Would that be fair?

Chris Town: Absolutely.

Carolyn Uphill: Absolutely.

Q287 Anne Marie Morris: Are you seeing any evidence of that now? In a sense, Jennifer's point was that when people know that something is coming down the road, they almost act in advance rather than waiting for it to happen. Are you seeing people making a decision now either not to continue with tenants on benefits or not to start, just because universal credit is coming?

Chris Town: Yes, we have seen that for some time under LHA anyway. Landlords obviously have to protect their interests, so they will reference people as closely as they can. They will also make sure that they have a bank account or preferably a credit union account that can use ring-fencing. However, more than that, they are also looking at the tenants they currently have and assessing their ability to deal with universal credit as far as they know how it will work.

One of the biggest problems landlords are finding when they learn about universal credit is the fact that it can be paid on any day of the month over a monthly period. So instead of having a benefits cycle that is predictable—you know when it is coming and so on, which makes it quite easy to manage—it will be all over the place. That is another thing that has not been welcomed by landlords who take benefit claimants.

Carolyn Uphill: You asked for evidence. Our statistics show that 13% less landlords have taken on housing benefit tenants in the past six months, so increasingly they are voting with their feet.

Jennifer Barnes: Homeless Link did some research about how many landlords in London were willing to let to benefit claimants, and it came out that about 1% in the shared accommodation market were prepared to let to benefit claimants, so when the rental market is so busy, when landlords have other options they are understandably going into them.

Q288 Anne Marie Morris: And if the Government fixed the things that you have talked about, which are principally education, communication and dealing with that first up-front payment, do you think that landlords would come back into the market who currently are saying, “Oh, this is just too difficult”?

Carolyn Uphill: I think the big thing that would make a difference would be the ability for the tenant to opt into direct payment and also for vulnerable tenants to go automatically on to direct payment, whereas at the moment I believe there has to be evidence from a third party, not from the landlords themselves, that a vulnerable tenant has difficulty paying. So the landlords are at the mercy of someone else evidencing that there is a problem with the tenant, which, again, will make landlords particularly nervous. Landlords need reassurance. They need to be confident that they will be able to pay their bills.

Chris Town: There is the principle of tenant choice. If a tenant wants the rent to go direct to the landlord, he should be able to do that. It doesn’t seem unreasonable to secure his property and to make sure that he doesn’t lose his tenancy or get into financial difficulties, and he is the best person to judge that, not anybody else. The other thing is that people who have already demonstrated that they can’t manage payments at the moment on LHA, who have been moved on to direct payments to the landlord, should in our view be passported into universal credit until such time as they have the confidence, let’s say, to manage their affairs.

It is a big change, not just from a housing benefit point of view but from tenants’ point of view, going from fortnightly payments to monthly in arrears. That is a huge step for anybody, particularly people who are on very small incomes and almost live day to day or week to week, so that they don't have the capacity to carry over that period. It could take them months or years to catch up to that, because they are effectively only getting 11 months' pay in a 12-month period. They never get that extra month back, so they are very vulnerable to these changes. I don't think enough emphasis has been put on that.

We agree with the principles of universal credit and helping people into work, and there are some great things there and great benefits to helping people into work, but there is also this other thing, which is that it potentially puts them into financial difficulties. Hence the reluctance of landlords to take people on welfare.

Jennifer Barnes: We certainly see long-term impacts for the tenant. If they build up rent arrears, that will follow them for a long time and make it much harder for them to access follow-on accommodation, so we have got plenty of young people in supported housing. We did some research with Cambridge University, which found 9,000 young people—

Chair: Could you speak up?

Jennifer Barnes: Sorry.

A lot of landlords will not take you if you've got rent arrears, and that includes social landlords, so it is not just private landlords who will check that. It limits your options massively in an environment where it is already difficult. Some research we did with the University of Cambridge found there are as estimated 9,000 people in hostels—young people who are ready to move on, but can't move on because there is not suitable move-on accommodation for them to move into. Not only is that terrible for them—they can't move on—but it also limits the impact of our sector on bringing new people in, so it has a knock-on effect on all sorts of parts of the system.

Q289 Chair: I can understand that in places like London, where there is a housing shortage, landlords can be fussy about who their tenants are—they have a choice—and I can understand from our arguments why they may be rejecting people who are on housing benefit, because there are plenty of people who are not who will rent. However, are there any parts of the country where that is not the case, and where landlords are finding it difficult to let unless they let to those who are on housing benefit or local housing allowance, and as a result are dropping their rents? I am thinking of somewhere like Blackpool, for instance, where there is a very high proportion in the private rented sector and a high level of worklessness at the same time.

Chris Town: There is no doubt about that. In some northern towns, it is very difficult to find open-market tenants. Benefit tenants are quite plentiful, because of unemployment and so on. So that is a fact, and people have to go with the market. But ultimately, there is a bottom line that you can't go below, because unfortunately, landlords have to be commercial about these decisions. They have to pay their overheads, mortgages and so on, and they have obligations to the tenants as well. So there is a limit to how far people can go, clearly, but there are areas, of course, where welfare claimants are predominant.

Q290 Chair: So we know that there is a housing shortage in much of the country, and we know that private landlords aren't going to rent to those on housing benefits. Would it be fair to sum up your evidence this morning as being that, if you are looking for a solution to the housing problems for those who are out of work and dependent on housing benefit, the private rented sector is not really part of the solution?

Chris Town: I think it is part of the solution, but it is not the solution. Clearly, employment is the main issue. If there was more employment around the country, instead of being focused in the south-east, there would not be the same problems, although we do see those problems in the south-east, I am sure. But that is a very simplistic answer to a complex problem, isn't it?

Q291 Chair: You're not the cowboy in the white hat riding over the hill who is going to solve the housing problem for the people who can't find anywhere to live.

Carolyn Uphill: I think private landlords are very much part of the solution, because private landlords are now providing as many homes for people in this country as the social sector, both local authority and housing association put together. But they can only be part of that solution if it also works for their business model.

Chris said that landlords would support some of the principles of the changes in benefits. Landlords would support the idea of people being responsible for their own finances, because they are actively choosing people in work who manage their finances. The problem is that they perceive that people on benefit are the people less likely to be able to manage their finances. Therefore, they need to be reassured that there will be a fall-back position to protect their income, if necessary, and some sort of education and support to people on benefits. So, yes, private landlords can be part of the solution, as long as they are supported.

Chair: And that is obviously for the Government.

Thank you very much for coming along this morning. Your evidence will be extremely useful for us when we come to write the report, so I thank you very much from the Committee.