HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Local welfare safety net HC 373-I

18 November 2015

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Watch the meeting

Members present: Rt Hon Frank Field (Chair), Heidi Allen, Mhairi Black, Ms Karen Buck, John Glen, Mrs Emma, Lewell-Buck, Steve McCabe, Jeremy Quin, Craig Williams

Questions 1-74

Examination of Witnesses

Witnesses: **Giles Peaker**, Chair, Housing Law Practitioners Association, **Paul Gray CB**, Chair, Social Security Advisory Committee, **Paul Howarth**, Director, Welfare Reform Club, and **Dr Peter Kenway**, Director, New Policy Institute, gave evidence.

Q1 Chair: Welcome to our witnesses. Thank you for coming, and thank you for your written evidence. Might I ask you to identify yourselves for the record?

Paul Gray: Thank you very much. I am Paul Gray. I have been Chair of the Social Security Advisory Committee for the past four years or so. Prior to that I had former lives working in both DWP and HMRC.

Dr Kenway: I am Peter Kenway. I am Director of New Policy Institute, NPI, which is a small and all too independent think-tank. We have done a lot of work over the years on various aspects of the social security system, tax and benefits and I am mainly here to talk to you about the work we have done around council tax support.

Giles Peaker: I am Giles Peaker. I am Chair of the Housing Law Practitioners Association and a solicitor at Anthony Gold legal aid housing practice.

Paul Howarth: Hello, I am Paul Howarth. I am Director of the Welfare Reform Club, which is designed to promote the local role in welfare and to help local authorities administer reforms. Prior to that I spent rather a long time in DWP.

Chair: Great, all right. Emma, might you begin our questions, please?

Q2 Mrs Emma Lewell-Buck: Good morning. My questions are to both the Pauls, I was wondering if you could give the Committee some examples of good practice and poor practice in localised welfare and if you can say if they are particularly localised in certain areas or regions around the country.

Paul Howarth: It is very difficult to say whether they are regionalised around the country. Certainly, there are some very good examples. Some of the submissions that have come to this inquiry show that there are very good examples in places like Milton Keynes and Blackpool, for example, where they have brought together services. In these cases they have brought together the administration of various discretionary funds at local level, and that means they can take a more holistic approach to the needs of the person concerned. That is the key to it—that at local level you can bring together services and identify what the needs are in a more integrated way.

Paul Gray: Just to add to that, as the Committee may be aware, our committee, the Social Security Advisory Committee, produced a report back in the late spring on localisation issues in social security more generally. In putting together that report we were able to draw on a number of studies and reports produced by London Councils, the Centre for Responsible Credit and Local Government Association. In terms of particular aspects that struck us as being representing good practice, I would probably pick out two key words: one is "effective partnerships", building on what Paul Howarth has said, and linked to that is "effective communication".

Where there have been examples of local authorities bringing together different aspects of their service provision internally and also forming effective partnerships with the third sector and other organisations, that strikes me as a particular characteristic of good practice. Communication challenges are considerable, so one of the potential barriers to good practice is the inability of different organisations and different parts of organisations to share data effectively in order to identify problems and vulnerable individuals and families in a preventative way, rather than waiting for difficult issues to materialise. Obviously, with data sharing there is always a very difficult balance to strike between appropriate sharing in order to support the needs of the claimant and, on the other hand, making sure the appropriate information protections are in place.

Q3 Mrs Emma Lewell-Buck: I was just wondering if both of you could also answer this for me. Why is it, do you think, that some local authorities are not getting this right in making adequate provision, and what can be done to help them?

Paul Howarth: One of the things that local authorities need is a very clear understanding of the impacts of welfare reform locally, and they need to know what the cumulative impact of the various reforms is so that they can target support to those people who need it. Unfortunately, this is not available through DWP or other means. We provide that service, which is quite easy to do, and increasingly local authorities are making use of it. If they understand that there is a product available that will help them understand the impacts of welfare reform and use their resources more efficiently, then, increasingly, they are making use of it.

It is not just that, it is other things as well—that they are coming together and working together in partnership. The big problem to address is the fact that both Government Departments and local authorities tend to work in silos, and breaking down those silos is the important thing that we need to try to do. Increasingly, you can see that local authorities are beginning to do that. They have got together in groups over the years, and they are doing more of that, but they are also working more collaboratively in partnership with other groups, as Paul said. There will be variations. It is very difficult to know why some authorities have not picked that up yet, but I think they will do.

Paul Gray: Another dimension of partnership that is critical, and that may explain variations in practice around the country, is the effectiveness of the partnership between a local authority and all its dimensions and the local DWP services. There have clearly been a number of pilots going on around the country of getting those effective partnerships between Jobcentre Plus, in particular, and the various arms of local authorities. Where there has been the will and the determination to make that work effectively, that is a very helpful way forward.

One of the problems that we noted in our report was that a number of the studies that had been done pointed to large numbers of claimants in some local authority areas who were coming to the local authority and appeared not to have been given good support and guidance by DWP about various sources of emergency help and assistance that are still available within the DWP systems. One of the reports suggested that 40% of the caseload in some local authority areas was, in a sense, coming inappropriately to local authorities, or rather coming prematurely to local authorities. Getting those partnerships right is critical. Some of the pilots that are being done under universal support delivered locally, as part of the roll-out of universal credit, could be the way to opening up more generalised better practice around the country.

Q4 Heidi Allen: Just following on directly from that, Paul, so much success in life is about the right people talking to the right people—that is just human beings, I guess, is it not? In terms of putting a process in place that might help that—something we picked up in a previous session—do you think it would be better for local authorities and Jobcentre Plus benefit departments, or whatever you want to call them, to be in the same building?

Paul Gray: Yes, definitely. Co-location is a valuable tool in this process. You are absolutely right, you need the right kind of will to collaborate, but it is so much easier if people are essentially in the same building. If we have an issue, rather than picking up the phone or doing an email I will pop downstairs or upstairs and have a quick chat, and it just builds the relationship much more effectively. There is a lot of potential there. There are obviously big issues about people's estate contracts and things that they have to come and manage their way through, but, without suggesting that is a panacea, it is a very valuable thing that ought to be looked at.

Q5 Ms Karen Buck: One of the things that has most interested me about this inquiry is looking at the extent to which some of the big changes—council tax and the housing benefit reductions—have changed something fundamental in the welfare state. For the first time in modern times, what used to be an applicable minimum amount—the basic amount that people were left to survive on after their housing and other costs—no longer applies. I just wondered if the panel could give me a view as to whether they think that is true and what the implications are.

Dr Kenway: Very broadly, it is true. The welfare state is 67 years old now, if I have done the maths right, and basically, for the first six years there was almost no local variation. What that meant was that if you were entitled, say, to jobseeker's allowance, the amount of money that you had to live on after your rent was paid, which was met by HB, was the same wherever in the country you lived. It was, in a sense, an expression of equal treatment, perhaps of fairness, and this move towards a lot of local variability is, therefore, a very recent development—it predates 2010 but it is still a recent development. It is not how we have had it for most of our lives.

Chair: Has anyone got anything different so say on that? If not, Karen, let us move on to John.

Q6 John Glen: Heidi has covered the point about co-location, but one issue that concerns me is the misunderstandings that exist among potential claimants about where to go in different circumstances and the variability in the incidence of that misunderstanding. Is there any data out there that can give us more concrete evidence on what people understand about where to go for different benefits?

Paul Howarth: I am certainly not aware of any data that is out there. It would have to be some research project that would need to look into that, so I am not aware of anything. The moves towards co-location are very helpful in this respect, and there is very strong evidence from the Universal Support Delivered Locally trials that this has been successful. The issue will also be the extent to which we move towards claiming online, because that is fundamental to universal credit. It may mean that local authorities become the key place to go for any face-to-face support in future, because most of the activity for claiming benefits will be done online.

Q7 John Glen: But is there not a real problem in that in a transitional phase, with localised depictions of the best way to give money in a different local authority, as that evolves there is a lot of confusion over how to go about that? Some of these claimants move around a lot, and then there is a real concern that some of these vulnerable people will not be able to access what they need to access. Paul, your committee's report makes clear the innovation and the good examples, but there seems to be a real lack of evidence of the variability of impact of this innovation and the impact on claimants in different parts of the country. That is a reasonable conclusion to draw, is it not, because there is no evidence contradicting that?

Paul Gray: That is fair, but the lack of hard evidence and particularly data, as you mentioned, is a real issue and a problem. The core of the point I sense you are on is the handling of particularly vulnerable groups with—

John Glen: Their lack of information over where to go.

Paul Gray: And the traditional communication mechanisms. As Paul said, as you move online, for many claimants that will ease the position very considerably. But for people who have difficulty accessing those conventional forms of communication, it is a real challenge. I wish I had a snap answer for how most effectively you could do that.

Q8 John Glen: Paul, could you describe to us, for the benefit of us here in this public session, what good practice looks like? What is the best example out there in terms of signposting for claimants to the different entitlements that they have? Where would we go to see that?

Paul Gray: I don't have a particular place or site I can point you to. All I can do is draw in such evidence as we have been able to pull together, which points to the importance of these principles of different parts of organisations and different organisations joining together and having clear agreed signposting mechanisms, so that you have as few articulations of the message and the communication as possible.

Q9 Chair: Paul, combining John's point and Karen's point, is it possible for you and any others to submit to us later your thoughts on this? Supposing we have this brilliant system of signposting to the end of the rainbow, is the pot of gold at the end of the rainbow large enough to meet people's needs? Or as Karen was suggesting, is it the case that even for those who manage to get to the end of the rainbow thanks to the signposting, there may not just be enough money? Does it vary in areas, and does it vary in particular needs, whether it is housing in London or elsewhere? If you could take that away, would you mind thinking about that for us to illustrate for our report?

Paul Gray: I can certainly think about it, but whether there is a definitive answer to that I slightly doubt.

Chair: But it would be quite important for you to be able to say you cannot say that, would it not?

Giles Peaker: I can give you a specific limited example, for instance, on discretionary housing payments. The allocation for the removal of the spare room subsidy is currently about £25 million as top-up. There are some 180,000 households with a person claiming disability living allowance affected by the removal. If they were all to be awarded DHP at a minimum £15 a week, that would be £140 million a year.

Chair: Right. We are getting into the area that Jeremy wants to talk to you about, Giles.

Q10 Jeremy Quin: In your evidence you said that there is no certainty that DHPs will get to those for whom they were intended initially.

Giles Peaker: Yes.

Jeremy Quin: Are you clear as to who they should be going to? Is the law clear?

Giles Peaker: The law isn't. The only statutory limit on DHPs is that somebody has to be in receipt of housing benefit or LHA. There is a clear intention from the DWP, as expressed in the Secretary of State's evidence in various court cases and the DWP guidance, that households in certain situations should receive DHPs. An example would be households where people are severely disabled and the house has been adapted, and they are subject to the removal of the spare room subsidy. But there is no statutory provision or provision in law that those people will receive DHPs. It is entirely discretionary.

Q11 Jeremy Quin: What percentage of applicants do you think end up getting the DHPs?

Giles Peaker: It varies immensely. At the end of 2013 the evidence was that the number of disabled people applying to authorities for DHPs varied between seven out of 10 receiving them and one out of 10 receiving them across different authorities, so there are very substantial variations.

Q12 Jeremy Quin: Do you have any insight as to why there is such a stark difference between different authorities?

Giles Peaker: Well, it is difficult because it varies so intensely. There are a range of different drivers. One of them was local authorities, frankly, being concerned about their DHP budgets as the year rolled on, but London local authorities were worried about the impact of the benefit cap, which was then rolling out, and were basically withholding funds until they had a better idea of what was coming down the line.

Chair: That was sensible of them, in that they were in a new situation, they had a budget, they did not know what the demand was and they should not spend it all in month one.

Giles Peaker: Indeed, but a number of them ended up with an end-of-year surplus, which was clawed back.

But then other authorities have taken an approach involving conditionality, which works against disabled households receiving DHPs. An example would be an authority that would only award DHPs for removal of the spare room subsidy if people were actively looking to downsize, where the households—in this particular instance, a severely disabled household in an adapted property—couldn't downsize. That was the point of why they should have been receiving the DHP. It was also time-limited to six months. That is contrary to the DWP's guidance, but also ineffective as a way of meeting a housing need. Some local authorities—about 75% until recently—would take disability living allowance into account as income when doing means assessments. That was found to be unlawful in a judicial review case. I am not sure what the proportion is now, but some certainly still do. There is a whole range of reasons why access or certainly receipt of DHPs can vary across councils.

Jeremy Quin: I was going to ask you what particular claimants were missing out but by the sound of your answers it is just so variable across the country.

Giles Peaker: It is. The DWP has some of the information in returns from councils, but a lot of this has come from freedom of information requests. It is a hefty—

Q13 Jeremy Quin: Are there obvious ways to improve the system to make it more specific?

Giles Peaker: Stronger, clearer guidance on, for instance, things like means assessments and what should be included or shouldn't be included. Possibly a greater emphasis on the kinds of cases that should be given serious consideration. The difficulty there is that that heads towards being exactly the kind of prescription of cases that the DWP was extremely keen to avoid.

Dr Kenway: You are on to a very important point here. Our submission points out that there are different ways that you can get this local variation. Some of it is because local conditions differ, some of it is because local policies are different. You can argue whether those are right or wrong, but at least they are conscious and deliberate and probably, in the end, planned from here. The local variation that it is right to worry about is where you appear to have very inconsistent local decision making. DHP is one example—I am sure you probably don't want to go there—but we point particularly to the enormous variation in JSA sanctioning rates, which makes no apparent sense in terms of the people involved.

You have the variable application of apparently a uniform policy. People see it grab the headlines in Scotland, where Dundee has much higher sanctioning rates than Glasgow, and people see this as unfair and unjust. You are right to worry about the way this local variation through variable administration has arisen.

Q14 Ms Karen Buck: You talked a little bit about integration of different parts of the service and trying to get them working together, but one of the big-picture stories—this is particularly for Giles—is the extent to which the impact of DWP cuts to housing benefit and homelessness interact with each other, and that is something that you have experience of. Do you think that local authority homelessness strategies, DHPs and housing benefit generally work together effectively, or is there some evidence that it is contributing to homelessness?

Giles Peaker: There is certainly evidence that it is contributing to homelessness. The London figures, for instance, of homelessness cases where an application to the local authority is accepted, so full housing duty is owed, at the end of private sector tenancies rose from something like 10% of those cases in 2011 to 39% of those cases now. A chunk of that, certainly, is a result of the benefit cap in particular impacting on private sector tenancies. The way that is then affecting local authorities is that there is the temptation, and in fact in some ways the obligation, to use the DHP to try to avoid homelessness. But that is usually a short-term measure. So it is being used to mitigate the effects of the benefit cap where somebody is in arrears on a private sector tenancy or, more particularly, to fund temporary accommodation, which is not exempt from the benefit cap.

Q15 Ms Karen Buck: Is that a proper use of DHP, in your view?

Giles Peaker: It is a use, and it is open to them. It is, in some instances—certainly in London—distorting the budget. Some local authorities—and I gave an example in my evidence—are using over half their DHP budget on funding temporary accommodation for people whom they have accepted are homeless, subject to the benefit cap. It is taking up a very significant proportion of the budget.

Q16 Ms Karen Buck: Is it clear, in your view, what the different Government Departments want to happen with this? Are they giving proper guidance to local authorities on whether they should be using DHP to fund their own homelessness duties or to prevent homelessness?

Giles Peaker: To the extent that non-ring-fenced funds are provided to mitigate some of the effects of the benefit cap in certain instances, how the councils then use it is entirely up to them at present. There is the DWP guidance but—how can one put it?—it can be safely ignored.

Q17 Ms Karen Buck: Last question: if you had one thing that could be done to try to deal with some of the issues around the DHP, what would it be?

Giles Peaker: I realise that this is against DWP policy, but some of the categories of need do need to be more clearly identified.

Q18 Chair: In particular, which ones?

Giles Peaker: A number of the disability-related issues around the removal of the spare room subsidy, the big ones being people who require an additional room by reason of their own or their partner's or both their disabilities; children who need overnight carers, who are not currently exempt; and adapted properties, where people shouldn't have to move because a fresh property will require fresh adaptations at additional cost and the space won't be suitable. The benefit cap is trickier, but there are obvious cases of short-term and some emergency need, which would be in the preventing homelessness targets. But those categories could be refined somewhat or at least more clearly prescribed.

Q19 Heidi Allen: My first question is going to be pretty repetitive, so maybe we can be swift with it, and then I would like to ask just a supplementary, if I may. Turning to council tax support, it is the same question—locally and nationally, does it work, and which would be better? Perhaps start with Peter.

Dr Kenway: There is a lot in that question. Locally and nationally, does it work? The first thing that is clear is that local authorities were able to implement that reform in 2013 very quickly and effectively. There is never any doubt that local authorities represent, in that sense, an efficient and effective part of the state. But what we have done over each of the last three years, and I think we are going to start doing it again for year four, is to gather data from all—I don't know whether it is 325 or 326—English local authorities that design schemes recording that data, do some analysis on it and present that information on the website. What we had hoped to find there, in some sense, was evidence of innovation. The reality is, we find almost none. Essentially, two things characterise the council tax support schemes that exist. One is whether or not a minimum payment has been introduced, and most authorities—well over 250 out of 325 now—have a minimum payment this year.

The other big thing is whether or not we then exempt certain groups, and the group that is most often exempt is people who are deemed on one criterion or another to be disabled, which is in about 125 authorities. So about half of the authorities with a minimum payment then exempt disabled households. This is not innovation. I do not think this is design reflecting local conditions. What this is about is local authorities responding to the very severe pressure to cut back budgets and working out where it should fall. I am not opposed to it in principle—it could happen in the right circumstances—but I think the circumstances in which it has come in are the pressure of cuts and austerity. That has really smothered any chance that there might have been of sensible local innovation.

Heidi Allen: Anything else from anyone else on that?

Paul Howarth: I think there are one or two examples of innovation in the sense that some authorities are using their council tax support scheme as a means of helping people into work. They are introducing some conditionality, but also some support. They are using funds that may be available to them to give that support to people to go into work. Leeds is a good example of that.

I think the fundamental problem here is that council tax benefit should either be in universal credit or it should be properly localised. By that I mean that local authorities should have the power to decide themselves who should get discounts and support from them. So a single person's discount and all the other things should be in the mix, so that they can devise a proper scheme. What you have at the moment is really a dog's breakfast.

Q20 John Glen: Can I just go back to Peter a minute? If you have a situation where you give discretion at a time when you are also making cuts, what you are saying is that innovation will not happen or has not happened in this case.

Dr Kenway: Very steep cuts. I am not opposed to the idea that you need some pressure to force innovation. I am not saying that you can do without that. I think it would be agreed around the board, but it is not really the situation that local authorities have been in.

I agree very much with this point that in some sense it is a dog's breakfast. We have localised a little bit. A single person discount is one aspect of it, but of course the whole business of the protection of pensioners has been laid down—essentially, council tax benefit in all but name continues in its entirety for pensioners. One can understand why; CTB worked really well for pensioners, no question about that.

Q21 John Glen: So you have to either go to full discretion and localisation in more areas, so that there is more room for innovation, or else you are going to end up with this patchwork and a lack of the room for innovation that you need.

Dr Kenway: Yes, I think that is right, but there is the point—in a sense this is something that we fear gets missed—that the shift from CTB to CTS was accompanied by a shift from annual managed expenditure, where the Treasury, the taxpayer with the broadest shoulders, picked up the tab, to a position where it is inside the Department budgets. The risk therefore falls upon the council. I am not suggesting that this has manifested itself yet in any particularly big way, but it creates a situation where poor, low-income working-age people and relatively low-income pensioner-age householders are a burden on the local budget now in a way that were not before 2013. I do not know whether that is a big thing or a small thing but it creates tension and conflict locally that I think is unwise.

Q22 Heidi Allen: I have a general question. This might be something, with the Chair's permission, to ask you to come back to us on if you thought it useful.

It strikes me that pretty much everything we have been talking about is whether different benefit types are better delivered centrally or locally. Would I be right in assuming that there are three things that can affect the success of something being delivered locally: clear central guidance about rules; local skills and the capability of a local authority to administer; and the budget pressure of whether we have the money to do this or whether we are hanging on to the money for something else? First of all, is that a correct assumption or conclusion? Secondly, would it be appropriate to ask you for your views on whether each of the different benefit areas would be better delivered centrally or locally and on what improvements might need to happen for that? Would that be useful, Chair?

Q23 Chair: Can we ask you to take that away with you?

Could I also conclude this session by talking about the increasing puzzlement I have while listening to you, not because of your evidence but because of the state we are in? Ever since the Poor Law Reform Act 1832 Parliament has insisted on a national minimum, and it has given huge discretion for that minimum and how it is fulfilled. Annually, it is reported to Parliament how that is working out.

It is quite clear from your evidence that, despite all your involvement, none of you know totally what is going on. Karen was rightly highlighting how significant this change is from the 1948 welfare provision. It is also very significant that Parliament will not have information to know how a minimum is operating in each locality, which it has always insisted on since the Poor Law Reform Act. Who do you think should be collecting this information so that we know whether the most vulnerable are being protected at the bottom? Paul, is it a role for you at the Social Security Advisory Committee, or is it something you think Government itself should collect?

Paul Gray: My inclination is that it should be some arm of Government. Without wishing to avoid what I think is too big a task for a small limited resource committee, I think it should be incumbent on Government to be the collector of data and ensure that there is adequate evaluation in place for these innovations. If there is one watchword that our committee reports tend to emphasise, it is that there is not enough work done on evaluating changes and following them through. To pick up one of our recommendations from our report, a useful thing here might be to ask the National Audit Office to take a look every few years from an audit perspective at consistency of outcomes. So I would see it as a role primarily for Government, but with that national audit procedure as a useful reinforcement and check, and therefore the provision of both basic information and a review of that information into Parliament.

Q24 Chair: That is really helpful. I am going to go down the whole panel asking you about this. We are having, in the spring, a seminar with the Office of National Statistics on what sort of data is collected that it does not even need, and what data we need to understand what is happening in our country. So we will follow up with the National Audit Office, and we will have it on our agenda as well. Peter, your comments?

Dr Kenway: Yes, I would agree completely that it is Government's job. In some sense if Government had done that job I need not be sitting here, because I am only here because we collect that data, and we can only do it in a tiny fashion. So it is Communities and Local Government as far as I think council tax support is concerned, and obviously Work and Pensions, and without that I think we are in a very questionable position. This is a giant experiment that is being performed on several million people in this country in the most precarious financial position, and we are doing that without knowing what is happening to them. I think that is unacceptable. So this business of data is boring, but it is crucial to scrutiny.

Q25 Chair: No Victorian Parliament would allow Government to get away with big changes without them knowing what was happening. It is a mega change, is it not, Peter? Giles, your comments?

Giles Peaker: To some extent there is, or should be, data on DHP payments. DWP ask for returns from local authorities by category of welfare reform it was granted in respect of, but that is about the payments made. There isn't any mapping against need. So there is identification of awards made, but no way of mapping that against people in the authority in specific categories of need, how many people are getting it, what proportion and so on.

Paul Howarth: I would take a slightly different angle, because I think it is incumbent on local government also to provide some information here. What we have been talking about today are things that have been devolved or things that have been localised. Local authorities are going to be increasingly responsible for the outcomes that we want to see, and they are going to be responsible for ensuring that with the discretionary funds that are their responsibility—and DWP cannot dictate to them what they do with them, it is their responsibility—they are accountable for how they spend that money and how they support people into work and into independence. That is critical to this.

Chair: Giles, might you come back to us, after talking with your colleagues, with a very rough questionnaire of what the Government should be asking for in the collection of data. Karen, as you have initiated this inquiry, last word to you.

Q26 Ms Karen Buck: A very quick question. Discretion is a more time-consuming process than determining entitlement. Local authorities have already seen a 30% cut in funding. Potentially they will see a further reduction in the CSR. Is there the capacity, and is anybody looking at capacity for the decision-making process? That is possibly more Paul.

Paul Gray: I think that is a big issue. The trend towards greater discretion is not something that has just come out of localisation. It is a much broader trend over 10 or 15 years of moving from a rules-based benefit system to one that is more discretionary, with some commendable aims of seeking to influence people's behaviour in a positive direction. It is clear, certainly within the DWP, that the shape of its workforce is changing, and possibly needs to change even more, from an earlier trend towards centralising more work in back-office, contact centre environments to having more and more staff on the frontline. From memory, I think the DWP are now planning to have 26,000 work coaches, or some figure of that sort, in the workplace, so there is a big change in the balance of the workforce. Yes, inevitably there is going to be a resourcing issue on this, as there is on everything, and a balance has to be struck between how much money is available to provide this taxpayer service and meeting the needs being placed on them.

Q27 Chair: Great. Can I thank you all? We have given you some work to do and I hope you do not mind that. I am most grateful to you. Before I close this session, I see Paul Nicholson in the public gallery, who has been a wonderful campaigner on all these issues over decades. Before we close this session I would like to pay tribute to you.

Examination of Witnesses

Witnesses: **Rachael Badger**, Head of Policy Research, Citizens Advice, **David Holmes CBE**, Chief Executive, Family Action, **Francis McGee**, Director of External Affairs, StepChange Debt Charity, and **Joanna Kennedy**, Chief Executive, Zacchaeus 2000 Trust, gave evidence.

Q28 Chair: Welcome to you. For the sake of the record, might you identify yourselves, please?

David Holmes: David Holmes, Chief Executive, Family Action.

Rachael Badger: Rachael Badger, Head of Policy Research at Citizens Advice.

Joanna Kennedy: Joanna Kennedy, Chief Executive of Z2K. We are an advice charity in London helping people access their rights to welfare benefits and housing.

Chair: We have also visited you.

Joanna Kennedy: You have, yes.

Francis McGee: I am Francis McGee. I am Director of External Affairs of StepChange, the debt charity.

Q29 Mhairi Black: Obviously one of the big trends that we have seen is an increase in the number of people seeking help with council tax arrears. Francis, you said in a report that you have noticed a big increase in the proportion of problem debt clients with council tax arrears. I suppose this question is for Rachael and Francis: in your opinion, is this linked to or caused by the localisation of support in any way?

Francis McGee: I am happy to go first. There is correlation. It is very difficult to demonstrate causation. We put some numbers in our submission, and I have some other numbers. In 2012, 21% of the clients who came to us were in arrears on their council tax. In the first quarter of 2013, so the immediate run up to the changes, it was still 21%. In the rest of 2013 it ticked up to 26%, and in 2014 it ticked up again to 28%. Ascribing that to a particular change in the environment is very difficult.

I would make two other observations. One is that in that time, the overall number of people we were seeing was rising extremely quickly, so they are bigger percentages of a bigger number. The second is that a wider pattern of our clients are less well off than they were, and they are more likely, in general, to be behind on essential living costs, including council tax, than they were in the past.

Rachael Badger: I would add that we have seen about 10,000 more problems with council tax arrears per quarter since the shift was made in 2013 from council tax benefit to local schemes, and of course that is not just about localisation. As we heard in the last session, localisation happened with the 10% cut, so there is less funding around.

We had the same question as you, and we asked the IFS to have a look at some of our data in this area, looking at how the shape of local CTS schemes and the level of minimum payments correlated with the number of problems seen by Citizens Advice in different parts of the country. They found that where the minimum payment was set at more than 8.5%, there was about a 30% to 40% increase in questions about council tax debts that were brought to us. So there are some interesting links in this area, but it is in the wider context of cuts as well as localisation.

Joanna Kennedy: Could I make a quick point? We, as a charity, have done reports on the effect of these policies in London. When we were preparing the reports, we contacted local authorities for data of this kind, and they do not have it. Local authorities are not collecting the data about why people cannot pay and those kinds of issues. We are very concerned about that fact, because the Government is supposed to be doing a review of the schemes and how they work, and I do not know how they are going to do it without this kind of data.

Q30 Chair: Can I go back to Francis? Three members of this Committee are also members of the report "Feeding Britain". In that report we suggested that throughout all western economies that the bottom was falling out of society and we were in a new ball game with the poor. It could be, could it not—you were so careful to say about not drawing causation—that the increase in debts is associated with these changes, but also for reasons we cannot properly comprehend or have not comprehended there are multiple pressures on the poor that they have not had before?

Francis McGee: Yes. We see a problem—a new problem—with safety nets in general. As I say, 40% of our clients are now in arrears on one or more of their essential living costs, whether it is their council tax or their utility bills or their rent or their mortgage or whatever. Those problems are caused because of everyday changes to their circumstances; a relationship breaks down, they lose their job, they have their hours cut, they get sick. These are the things that are pushing people into problems. Those problems could be transitory. People do recover from those problems where there are good safety nets in place. Where there are not good safety nets in place those problems, which should be transitory, become entrenched longer-term hardship issues.

Q31 Chair: But there was also Karen's point when we were with you, Joanna. While there are particular pressures on budgets to do with housing in London, what Karen has been saying to the House of Commons for about a decade is now beginning to work its way out into our constituencies, which are 200 miles or 400 miles from London. In a sense, when we visited you you were picking up the pressures from one point, weren't you, and trying to explain to us that there were a lot of other pressure points, although you dealt with housing because people were becoming homeless?

Joanna Kennedy: Yes. All of these points eventually lead to homelessness once you start falling into debt and arrears. Eventually that is where it goes, but particularly in relation to council tax. For example, Karen's point was that there was an applicable amount that you were entitled to receive, which is being taxed by having to pay council tax out of it. That is one of the many attacks on the applicable amount. The other one is conditional DHPs. If you have to pay £20 as a condition of getting a DHP, that reduces your income. Or if you try to stay in your accommodation under the effect of the benefit cap, you have to pay the rent yourself, and again that reduces the applicable amount. Of course, the effect of the benefit cap itself is to remove the issue of need and entitlement from what people get.

Chair: Mhairi, are you happy with that?

Mhairi Black: Yes.

Q32 Steve McCabe: Good morning. I want to ask particularly about the use of bailiffs in collecting council tax arrears. Is there evidence that shows that that is an effective method of recovering debt?

Joanna Kennedy: I would say the opposite—that for this kind of debt it is not an effective method, because you are collecting money from people who cannot pay. The use of bailiffs doubles or sometimes triples the amount that people are going to have to pay, because of bailiff fees, and many bailiff firms say to us that they do not even want this kind of work. It is pointless, because collecting council tax arrears from people who are in the council tax support—and so who are, by definition, the poorest of the poor—does not make any sense at all. More and more councils are starting to recognise that it does not work and are using other methods, but it is a very slow process to change that attitude.

Q33 Steve McCabe: They may not want it, but they continue to take it—that is my experience.

You mention increasing debt. I think it was Citizens Advice that produced this research. I read somewhere about the bills rising. I think there is one graphic example of a council tax debt of £21 that rises to £251 by the time the fees of the council and then the charges of the bailiffs are added. I was also struck by the idea that some councils are generating income through this because they are deliberately seeking large numbers of liability orders for which they then charge excessive fees. Is that a common practice in your experience?

Rachael Badger: I hope it is not a common practice, but we have seen some examples of this and we have concerns in some cases about how local authorities are acting as creditors, particularly when you compare with best practice in the private sector and from utility companies, for example. On council tax, there is more that local authorities could do in some areas to link up rather better with other aspects of debt collection and with benefit processing in the council to get a better understanding of the circumstances that people are in. There is more that could be done around not sending in the bailiffs but setting affordable repayments.

Q34 Steve McCabe: It strikes me if this was a utility, Chairman, we would be screaming blue murder, but this is local authorities loading debt on to people who are already in debt. It is every bit as disreputable as a loan shark. What would be the absolute standards and guidance we need to set out to stop this kind of thing happening?

Francis McGee: Two or three points on that. Early identification of people at risk. A process for—

Steve McCabe: I agree with that, but what exactly do you mean—who should do that, the council?

Francis McGee: Yes. They need processes to identify households with particular vulnerabilities, because these actions obviously strike hardest on single-parent families, households with disabled or unwell people in them and so on. They need communications that encourage people to engage either with the council or with an independent third party. We have done some really good work with Leeds City Council, which has greatly increased the amount of engagement with people who are clearly in financial difficulty. The number of people that that council is now referring to us, because they know that debt is not the only problem, has gone up substantially. So they need better communication and, as Rachael was saying, better forbearance. They ought to have to demonstrate that they have gone through a process of establishing an affordable repayment plan. At the moment the demand is, in many cases, an instant demand for the whole year's tax. In how many cases is that likely to be realistic?

Joanna Kennedy: I have two specific points. One of the big elements that increases the amount people have to pay is court costs. Councils charge £120 for a summons. So the issuing of court summonses should be used much more sparingly, and court costs should be waived as soon as there is an affordable payment plan agreed. Then the other thing is, do not use bailiffs.

Francis McGee: I would say that, but—

Q35 Chair: Francis, before you continue, let's look at it from the local authority's side, who have duties to carry out. The other side is that some members of your community simply may not have enough money, however brilliant they are at managing demands. How should a local authority behave when we do not know how many people there are, whatever their budgeting skills, who find it difficult to get to the end of the week? What can they do without giving a nod and a wink to everybody else that a way of expanding your budget is not to pay to your rent and enter into an arrangement that might lessen the amount you have to pay?

Francis McGee: There are two points on that. One is, if you look at it from the point of view of the individual householder, it is very rare indeed that one debt is the only problem.

Q36 Chair: No, what I was thinking of, Francis, is that when these services quite properly began to grow in importance, the assumption was that people's income—the minimum income—was adequate. What do we do if we are in a world where the minimum income is not adequate? It is great, what you do, you are boxing and coxing and trying to save people, but what if that minimum income is not adequate?

Francis McGee: I think you turn to duties to protect. In that situation, as we were just saying, you can put obligations on councils and other creditors. I am not singling councils out—they always pop up in the league table when we ask our clients which kinds of creditors have been helpful or not helpful, but they are behind the banks, the credit card companies and even the utility companies, typically. If all those organisations were under stronger responsibilities to treat people who are vulnerable better and refer them to us, Citizens Advice, or other advice agencies that are equipped to deal with the whole problem, you would extract it from the constraints of a single creditor shouting louder and louder after a single debt. What happens then is that people rob Peter to pay Paul. There are a very constrained and narrow set of options, and people reach for the available, easiest looking tool in that crisis. That makes the problem worse.

It doesn't directly answer your adequacy point, Chairman, I understand that, but in terms of an effective safety net, we need better referral to debt advice. Better forbearance by all creditors as part of that would start to give people the time and space to get through the problem and out the other side.

Q37 Chair: Suppose you are a poor mum and you are wracked with guilt that you have to keep saying to your kids, "You can't have that, you can't do that" and you know there are certain suppliers who don't really chase you but others who will. Don't you naturally start changing your expenditure patterns so that you can buy more than you have money for, because you know who will allow, in a sense "managing your debts"?

Francis McGee: That is a version of the behaviour I was describing. People will box and cox, people will take decisions to keep at bay the creditor who is shouting loudest and being most threatening in their behaviour. In some sectors—in the financial services sector, and increasingly in the energy sector—regulators are taking the view that that is unacceptable and that the commercial organisations in those sectors need to do better. Of the sectors that are so far not being caused to improve their behaviour, the two that I always single out are local authorities—I will put central Government to one side—and private landlords. They are the ones that are an increasing proportion of more and more people's debt.

Our plan would be statutory protection. If you are in difficulty, if you have got a set of debts, then as long as you engage with a process of debt advice and debt resolution with us, or with Citizens Advice or National Debt Line or whoever, then all your creditors should be under an obligation to stop making the problem worse. They should cease enforcement action, they should stop adding interest and so on. It works brilliantly well in Scotland.

Q38 Chair: Some of my constituents are cold because they do not want to run themselves into debt. Isn't there a duty on people who supply expensive goods to say to individuals, "Do you think you can actually afford this?" That is one of the horrors we have to face about people being poor—that we force those choices on them because they are poor.

Francis McGee: Yes. There is a distinction to be drawn between essential services like energy supply, heating and so on and other services. I think that, again, the banks and the consumer credit sector are under increasing regulatory pressures to ask exactly that question before they advance lines of credit. The judgments are different when it comes to essential services, but it comes to what society wants to impose on those suppliers.

Q39 Steve McCabe: I do not want to encourage anyone not to pay. I don't think that is a very good route to go down, but surely it is possible to have a legally enforceable, affordable repayment plan to cover all debts without that method of ratcheting up the debts in the process. Surely it is possible to say to all the suppliers, "You have to buy into to a code that says, 'This is how it works'." Then say to the consumer, "This is what you have to do". Whereas what is happening at the moment is that individually, people are able to ratchet up the debts. Isn't that what is happening?

Francis McGee: That is the sort of scheme that we are calling for. At the moment we can persuade most creditors, some of the time, to stop making the problem worse and to engage on an affordable plan against our objective standard of what people can afford. You don't need to do a lot to that to strengthen the protection around it, and, again the system in Scotland that works very similarly has a statutory protection around it. As long as somebody sticks with the plan and holds up their end of the bargain, the creditors are bound by it too. They cannot resile from it and start slapping on extra interest or take their debt away from the plan and say, "I am more important, pay me now".

Q40 Chair: You are saying, Francis, that that operates in Scotland?

Francis McGee: A version of it operates very well in Scotland.

Chair: It could operate here.

Francis McGee: Indeed.

Chair: We could learn from that.

Q41 Craig Williams: Can I build on this issue of creditors—good creditors, bad creditors and local authorities? The worst creditor in my constituency is the local authority. The use of bailiffs—24,000 over the past year, which has increased over the last two years by 86%—

Chair: We have all had that.

Craig Williams: Yes. It is absolutely criminal, so I just wanted to endorse Steve's point. I know you were on about good practice in local authorities, and maybe we are using a sledgehammer to crack a nut, because the local authority is the worst. We should be able to do something quite easily about that, I would have thought.

Chair: Do we have a list of who to praise and who to shame?

Joanna Kennedy: The best of local authorities for this issue are the ones that would offer full council tax support—of which there are several in London—so they are not making the situation worse. Everything we are talking about here is about how you manage an unmanageable situation. This system of charging tax to people who cannot pay is making the situation worse.

Craig Williams: There is actually a campaign, Chair, called Stop the Knock.

Francis McGee: That's right.

Craig Williams: They have this evidence.

Rachael Badger: I have examples of local research on this from Citizens Advice around the country that I would be happy to share with the Committee as well. A study from Advice York, for example, found that there are real challenges that the City of York found in trying to cost their council tax scheme, predict take-up and set the minimum payment level. So to link back to the previous session, it is helpful to think about council tax support in the whole.

Chair: It is important, but could you give us the best examples and the worst, to show that it can be done? That is very crucial.

Rachael Badger: Yes, I'm happy to do that. There is some interesting work in Coventry, for example, which I am happy to share.

Chair: That would be brilliant of you, thanks.

Q42 Heidi Allen: One group of people we haven't touched on so far is women fleeing domestic violence. In your view are they better or worse off as a consequence of discretionary support being made available locally to them? David, is that a question for you?

David Holmes: Well, certainly in terms of our service provision we cannot see any evidence that they are better off as a result of discretionary provision being made local. If we look more globally at the issue of domestic abuse, certainly if you look at the tenders that have come out in recent months, all of those tenders are very much based on working with domestic abuse once the woman has left the home, so I don't think we can draw any particular parallels there.

The other issue that I really want to draw on in relation to domestic abuse is the importance of cash grants to women in those circumstances, because it is a very clear message from the organisations working with those women that the provision of cash gives women autonomy in circumstances where they may have hugely lacked autonomy in the past. The whole debate about whether cash or in-kind grants is important is applicable to domestic abuse.

Q43 Heidi Allen: Would you say it should be delivered locally as opposed to centrally?

David Holmes: I think if something is delivered locally, as long as there is some consistency in what is being provided locally, that is the key point. The worry is that there is then a huge discrepancy in what is provided locally. If being provided locally means that very little or nothing at all is being provided, then that is serious.

Q44 Heidi Allen: So are there any areas where you know it is working really well? What are the reasons why it is so different in different areas?

David Holmes: I must say that I am not aware of areas where it is working really well. That isn't something that has come across.

Heidi Allen: Joanna is smiling. Do you want to add anything?

Joanna Kennedy: Well, none of this works very well, and the main reason none of it works very well is because there is not enough money. All of this stuff about whether it works locally is completely confused by the fact that it is all being cut, and the lack of sufficient resources for all of these schemes is one of the really big problems that are why they don't work properly.

Q45 Ms Karen Buck: Following up on Heidi's question, one trend I think is happening—tell me if it is or not—is that a number of local authorities' criteria for assistance include local connection. How does that work when you have, for example, somebody fleeing domestic violence from Luton to their cousin in Birmingham, or something? How does it work for people who have to move around the country for emergency assistance?

David Holmes: It is a very big problem. Interestingly, through our Open Doors programme, which gives cash grants to people but provides practical support as well, the local connection criterion is one of the criteria that have been relaxed in a number of local authorities. That is about understanding that people are geographically mobile. A much bigger issue, though, is the eligibility criteria, which are being set at so high a rate that people cannot apply for the grants.

Q46 Chair: Heidi, are you happy?

Heidi Allen: Well, no.

Chair: None of us are happy, but—

Heidi Allen: Is there anything you can tell us, or is it just about cash? Is that the bottom line on making the situation better and providing better support, Rachael?

Rachael Badger: All the things we are discussing. I think in some areas we are seeing confused accountability between central and local government, and that is something that could be improved without cash. The point that we heard earlier about the impact of data and understanding quite what is working and sharing more good practice where there are schemes that are working well would be helpful, but I think the shortage of cash is a problem, yes.

Heidi Allen: Okay.

Joanna Kennedy: For us, one of the things that work well about the local welfare assistance is that it enables us to house the homeless by providing cash for rent in advance. But that applies only in one authority, only to people in that authority. For people from any other authority that does not apply, so we cannot help them. There is an absolutely classic postcode lottery.

Q47 Craig Williams: You touched, David, I think a couple of times, on cash grants. Do you always favour cash grants over in-kind services?

David Holmes: We do have a preference for cash over in-kind, and perhaps I could explain why. There are a number of very practical reasons why we think cash is often better. There are some circumstances where in-kind support is appropriate too—I can touch on those a bit later—but I will just give some of the practical reasons why cash is better.

It provides for what is needed and what might not be possible via vouchers—if you have cash you can shop around and get the best value for your money. It widens the choice and flexibility of the goods. There may be transport issues that mean that for whatever reason a person cannot get to the place where they need to use their vouchers. Cash can speed up a transaction. It can enable partial funding of items. So there are lots of practical reasons why cash is important.

But I think as important as the practical reasons are some of the emotional differences that cash can make. For example, as I said before, for a woman fleeing domestic violence who has had no autonomy it may give her that sense of autonomy, the sense that she has control over something. Having cash gives you a sense of freedom. It is about that sense of normality, or even a temporary freedom for somebody who is always feeling that they have nothing. Suddenly, for a little while, they just have a bit of control over something.

Q48 Craig Williams: I have got a flavour of that, but can we turn that around, then, David, and ask in which circumstances you think in-kind support would be more appropriate?

David Holmes: Yes, there are some circumstances. For example, if somebody is living in a rural community and they need to shop online, say, then as long as they are IT-literate and have access to a computer, shopping online might be the right thing for them. For people who have mental health issues, alcohol addiction or drug addiction, having in-kind support that they can spend in conjunction with a support worker might be the right thing to do, although cash would work in those circumstances as well. For people in other circumstances, maybe because of geographical limitations or something, in-kind support may be better.

So I am not saying that there are not circumstances where in-kind support might be right, but I think the default option should be cash because of the range of benefits that brings, both practical and emotional. Also, being strategic, I think it goes to your original set of questions: these are people who inevitably have a range of complex issues, and being intelligent and thoughtful about how we apply grants can make a tremendous difference to individuals.

Before I finish, I want to read you something that one of the people that we gave grants to said to us. He said, "There are lots of things I have no control over. I can only be in control of the things that I can manage. Having cash takes the pressure off. I didn't spend a lot. I kept a little bit back, which gave me a bit more of a sense of security, which I appreciate. I made the decision how to spend it".

Q49 Chair: Isn't it also true, David, that if you have somebody who is a screwball and is going to misspend money, they will sell the vouchers?

David Holmes: Yes.

Chair: That will not stop them doing that. I just think the weight of evidence you put forward is that they are going to get the money anyway. If they are going to misuse it, why not lift people up by trusting them with money?

David Holmes: I think it is about making systems work and not just imposing rules that are not needed. Let's have sufficient flexibility in these systems to be able to give grants really well.

Craig Williams: That comment takes me on to my next question

Chair: Can I just make a comment? Keith Joseph once made a valuable comment, "To help people to be able to grow they also have to be able to make mistakes".

David Holmes: Yes.

Chair: If you have a repressive system, you decide everything, you stunt people. Sorry, Craig.

Q50 Craig Williams: Can I move on to talk about the local authorities' criteria? In the first year there were very strict criteria given to local welfare assistance. Which group of claimants do you think most lost out under those criteria? Was there a particular group?

Rachael Badger: Yes. Our experience is that most things have not changed that much. The kinds of problems that we have seen have been with claimants who have frequent changes of circumstance. One example was someone whose JSA was suspended while a decision maker reviewed his claim, so he had nothing for six weeks, but because he had already applied to the local welfare assistance scheme previously he could not have another bite of the cherry.

Also, if we have problems with a particular payment of a benefit in terms of processing rather than decision making, it can be the same thing: sometimes if you do not have your housing benefit sorted out you cannot apply for assistance. Until you have the housing benefit in place, you can't move into a new home. So there are those kinds of process problems.

Also, to go back to the earlier point about residency tests, if there are residency tests in place and people fail them, then often that means that the schemes are out of bounds to them.

David Holmes: We have noticed three broad groups. Those who are geographically mobile—it is the local connection point that was discussed before. Women experiencing domestic violence, because local eligibility criteria have been set very high—for those women the combination of that and the changes to legal aid have been dramatic. Also, interestingly, those without recourse to other funds, the so-called working poor, because the lack of access to this sort of local emergency support has often put them at risk of spiralling into debt.

Q51 Craig Williams: Do any of you anticipate these criteria being either tightened up or loosened in the future? Which way do you think it is going to go? Do you envisage any change?

Rachael Badger: A couple of local authorities have told us recently that they are waiting to hear what happens in the spending review and local government settlement, and it might be that these things are tightened up in the future. That spending settlement for local government next week is really critical in the context of everything that we have talked about.

Q52 Chair: By tightened up, you mean reduced.

Rachael Badger: Yes.

Q53 Craig Williams: Coming back to the Social Security Advisory Committee and their call for minimum standards for local welfare and assistance schemes, do you support that?

David Holmes: I think minimum standards are good inasmuch as they surely suggest a floor of standards above which everybody should be operating. As important, though—perhaps more important—is sharing good practice. There are so many different schemes, so what is the best practice? What is the innovation? There are some really interesting examples of working alongside other services that are providing support—that goes back to my comments before about being strategic and how we make best use of money available. But let's be a bit more ambitious. If we are going to have minimum standards, let's try to make them enforceable.

Q54 Craig Williams: On enforcement, who do you think should monitor them?

David Holmes: Central monitoring would be good. Also monitoring by people who have experience of grant giving and who really know the field, so that they can be quite objective in what they are monitoring too.

Q55 Chair: You are asking in a sense for a two-tier system, aren't you—one that national Government does but that is also supplemented with what the practitioners say as well?

David Holmes: Yes. It is vital to have the sense that these are standards that are not just written on paper but have some weight about them, but practice also has to be informed by what is happening on the ground and by what practitioners are doing and seeing and working with. They must be able to learn from one another, because that is how you get a good, well-functioning system.

Francis McGee: Could I add one thought on that, which is that whatever and whoever does monitoring and evaluation, it should be rather more holistic? I come back to the individual and the family for whom the debate about "This bit is called local welfare, and that bit is called council tax support" is all frankly moot. It is about the effectiveness of the safety net in the round. We know, and I think my colleagues have said this, that different households and different groups of people, get different combinations of these things. We need to evaluate the safety net as a whole for its effectiveness, and I do not think that piece of work has so far been done.

Chair: That is valuable.

Q56 Mhairi Black: StepChange has a quote here that you thought that the social fund crisis loans were an important social lending safety net. Obviously you have raised some concerns over the lack of awareness of replacement local authority schemes. Do you think it would be fair to say that given that there is such high knowledge of payday loan and rip-off loan deals, the abolition of crisis loans has driven people to rip-off loan companies?

Francis McGee: Here I have a little bit of causation to go with my correlation: 9% of our clients who applied for a loan or grant from their local authority or from DWP said that being rejected led them directly to take out a payday loan. So that is one nugget there.

Again, going back to the constrained circumstances and narrow range of options that people see when they are in these difficult situations, people look for options that look certain, that look accessible, that look adequate, that they don't feel would carry a stigma or a sense of embarrassment. Frankly, the evidence we have suggests that local welfare doesn't tick those boxes. Compared with payday loans, fewer people believe they will be given support than that they will get a payday loan; fewer people know where to go than for a payday loan; and people do feel an anonymity when going for credit rather than applying for some sort of welfare support. So frankly, the high-cost credit sector ticks more boxes for people in that situation than welfare support.

Q57 Mhairi Black: Do you think the main problem is that inadequate support is being given, or is it just that there is a lack of awareness?

Francis McGee: There is a lack of awareness. There is also a lack of confidence. People think it will take too long to get the money. People think it is less likely that they will get it in the end. People think that it may not be for them. There is a lack of confidence with welfare provision compared with other options, and that puts people off.

There is definitely a case that local authorities and others could do more to tackle that head-on in how they go about making people aware of those things. These are difficult times and difficult choices for people. But if you send messages that say, "You know what? It's okay to ask for help. The help is there. We will make it simple. We will make it quick", then people will engage. There is good practice around the country of going where the target people are.

Q58 Mhairi Black: Can you give any examples of specific ways that certain bodies can raise awareness of what is available? Are there any good examples of that?

Chair: Can I just add to Mhairi's question? The Archbishop of Canterbury has started this incredibly important initiative about spreading credit unions. Is there any feel yet that that is working at a local level?

Francis McGee: I can think of one very good example, which I am happy to give details about separately, of a local credit union that has set up a direct link to the welfare department in their local council so that at the point when they decline somebody for a loan—the people who cannot access a credit union are as important here as people for whom that is a viable option—they are then plugged directly into that network. So there is a very clear connection between the credit union sector and local government.

Chair: Can you give us a fuller explanation of that?

Francis McGee: I will pass the Committee details of the people involved in that. I know of councils doing roadshows in their most deprived areas—going where the people are.

Chair: Good. Can you give us some examples of that? That was brilliant. Thank you. Mhairi, sorry I interrupted.

Q59 Steve McCabe: Mhairi was asking about the collapse of crisis loans and the impact that has had, but following on from the idea about credit unions, earlier I was castigating local authorities for raising money through bailiffs. Why don't we get local authorities to work with credit unions to play a role in giving people affordable loans? Wouldn't that take some of the payday companies and loan sharks out of the market if local authorities were to use some of their finances to work to make affordable loans a reality for people? Is that something that could be done?

Francis McGee: That would be a question for the credit union and local government sectors.

On the Chairman's point, I think there are very good examples. The work that the Archbishop's taskforce have done, and others, is succeeding in boosting awareness, changing practice in the credit union sector and changing the way they look at their own role. We need to do more besides that. I am strongly encouraging that, but we need to do more besides. There are other forms of low-interest or no-interest loans around the world that one can learn from and perhaps mimic.

Q60 John Glen: But there is nothing in terms of regulation or rules inhibiting that from happening on a much bigger basis at the moment.

Francis McGee: I really could not say. I don't know the credit union regulations.

Q61 John Glen: You have cited two examples, I think, of credit unions that are working very proactively and co-operatively with local authorities to good effect. Presumably they are not breaking the law.

Francis McGee: No.

John Glen: So there is no reason why we could not make a recommendation that would urge local authorities and credit unions to work together to develop better, more accessible advice for the people in the most vulnerable communities.

Francis McGee: In terms of connecting the sectors, I am not aware of any barriers. Maybe I misunderstood the question—I thought you were suggesting that local authorities somehow pump-prime affordable lending and that kind of thing and that takes us into territory that you would need to talk to somebody else about.

Steve McCabe: No, I was wondering why we didn't encourage that as a means of trying to take an unwelcome part of the market out of play.

Chair: You are helping us build up our recommendations as you speak.

Q62 Jeremy Quin: I was involved in credit unions, I still am, and it is in the register. Francis, we will get this from the information you send us, but it is a question of the scale of the credit unions involved. I suspect that is one of the biggest impediments. I am not putting words in your mouth—we will see from the evidence. I think it is a matter of ensuring that the credit unions are in a position to do the great things that you are referring do, and that is something we need to take away as well as part of our recommendations, Chairman.

Rachael Badger: Perhaps it is worth the Committee thinking about the role that the retail banks could play here. We have seen fewer problems with payday loans at Citizens Advice over the last year or two since the regulations increased, but there is still a demand for short-term credit, and more responsible lending from the banks for people on lower incomes might be worth considering.

Chair: It also means that you have a bank account, doesn't it?

Rachael Badger: Yes.

Q63 Ms Karen Buck: Can I go back to the housing issue? This is particularly for Joanna, but for others too.

Why do we really need to have discretionary housing payments at all? Why don't people just downsize if they are affected by the bedroom tax, or just move to cheaper accommodation?

Joanna Kennedy: Lots of reasons. With the bedroom tax they can't downsize because either there are no adequate properties available for them to downsize into or there are no adequate properties in reasonable areas. An overwhelming proportion of people affected by the bedroom tax are disabled, and many of them have adapted properties and there aren't other adapted properties for them to downsize to. So that is one aspect for them.

But for people affected by DHPs, there are all kinds of reasons why local connections are very important to people, particularly people on low incomes. Childcare, even with subsidy, is unaffordable for people on low incomes, so the only childcare they can access is from friends and family who live within their community. Also, there is respite care for people who have caring responsibilities. For example, we had a client who was affected by the benefit cap and evicted and sent from Westminster to live in Southend. She looked after her disabled son night and day and the only respite care that she could get, the only help she got, was from her sister who lived in the same area as she had done in Westminster. In Southend she knew nobody and had no help at all. We managed to get her back. But those are the sorts of reasons why people can't move. They are also very concerned about their children in education. We have lots and lots of clients who are forced to move as a result of the benefit cap and their children are travelling two hours a day each way back to the schools that they originally attended because the families do not want to disrupt their education, but of course that is incredibly disruptive to their education.

Chair: Also costly.

Joanna Kennedy: Also costly.

There are people in part-time work. We have had clients who have lost their jobs because they were working but not enough to be exempt from the cap, so they have had to move as a result of the cap. They have moved to areas where there is no work, because the only areas that are cheap enough for people to move to in the environs of London are areas where there is very little work. So it is completely self-defeating if the idea is to use the caps as an incentive to get people into work. Those are the reasons why they can't move and why they need DHPs.

Q64 Ms Karen Buck: Is DHP in your experience enough to deal with the genuinely hard cases? It is never going to be enough to deal with all need, but to deal with the genuinely hard cases?

Joanna Kennedy: Absolutely not at all. In 2014 the total amount of DHPs was 6% of the amount of money that was being taken away from the people who were suffering. So on any view it is not enough; it is never going to be enough, but it is particularly not enough because of the thing that was being discussed earlier, which is having to support local authorities' homelessness budgets. So there is the absurd situation where DHPs could and should be used to prevent homelessness but they are not; they are not going to people who are in the private sector to prevent them from being evicted. They are going to pay for temporary accommodation for the people who have already been made homeless, and this creates a ludicrous cycle of more and more people being evicted and more and more of them being a drain on the homelessness budget. So the result of that is that in particular the people who are in the private rented sector, in the areas that we deal with, are the ones who are getting least support.

Q65 Ms Karen Buck: I want to ask you a question about what you realistically recommend. Obviously we would like millions of pounds, but what recommendations might you make?

Can I just ask this, and then other people might have something to say? In the earlier panel we talked a little bit about conditionality and the extent to which with DHP and some other benefits people were being asked to make a contribution or to have their day-to-day expenditure examined. Are you experiencing that, and what are the downsides of that?

Joanna Kennedy: We are experiencing it all the time. We work a lot in Westminster, and Westminster in particular has been imposing conditions for several years. Some of the conditions are impossible because the premises of the policy are that the caps are supposed to move people into work and that people are capable of work. So the conditions are often about doing even more to get into work. People who in other parts of the benefit system are not required to work, like mothers of young children, nevertheless have conditions imposed on them of having to get into work. For people who are already working but not enough hours, one of the conditions is that they have to work more hours. We have another client who looks after her disabled brother. She works as many hours as she can that are consistent with her caring responsibilities, and she has had the condition imposed upon her that she can only have a DHP if she can work more hours, which she can't.

Q66 Ms Karen Buck: Let's be clear. A mother with a young child, who would not be required to work by any other element of the benefit system, would be subject to conditionality in this system.

Joanna Kennedy: Sometimes, yes.

Q67 Chair: Joanna, aren't there examples of where the cap has encouraged people into work because of the transformation that was made? I am not saying it is the solution to all the other issues, particularly if it is catching people with disabilities who we should not be catching, but it can be life-transforming for some, can't it?

Joanna Kennedy: Not that I have seen, no. All our clients who can work are of course already subject to conditions about work. They are already going to be penalised, if they could go into work but are not, by the job programme regime. Imposing the cap does not make any difference to that. I have not seen any evidence at all of that, and most of the people we see are not capable of work.

Q68 Chair: It is about the nature of us as MPs and the people who come to us and the people who go to advice agencies. I was just reading in our Troubled Families report about Wirral, where in fact the cap had worked, with people moving into work, partly because the cap was so huge. Moving into work was a mega change, but also the family, the children, the pride in their mum who was now working—

Joanna Kennedy: I don't disagree. It is great if people can move on.

Chair: But she would not be coming to us in our surgeries or to you, because it was a success. I am not in any way trying to underplay how it works, because you introduced us to it and took us through the looking glass in one area of London. All I wanted to stress is that there is another side to it, which we would not normally see, where it is working. That is not to minimise the horrors of people caught in the way you are describing.

Joanna Kennedy: No, and the fact that considerably more than 50% of the people affected can't work.

Chair: No, sure.

Joanna Kennedy: In fact I think only 15% of the people affected are on Jobseeker's Allowance.

Q69 Ms Karen Buck: Does anybody else have anything to say about conditionality?
Rachael Badger: I think discretionary housing payments are an interesting area, particularly compared with council tax support schemes: there is genuine local discretion and flexibility. We have seen some evidence of quite thoughtful work in local authorities around forecasting demand and doing proper impact assessments and longer-term thinking, like in Enfield, where they are allowing people to use these payments to fund a deposit or rent in advance. Things that move people forward and get them engaging with training or some sort of support as a condition of that is not necessarily unhelpful in our experience.

Q70 Ms Karen Buck: So what do you recommend?
Joanna Kennedy: More money, obviously. But if there is not going to be any more money at the very least local authorities should deal even-handedly with the three main categories of people who are affected: people in the private rented sector; people affected by the bedroom tax; and people in temporary accommodation. The people affected by the bedroom tax and those in temporary accommodation are drains on the funds of the council, and that is why they are inclined to use the funds to support those people as opposed to those in the private rented sector. But as I said, that is a short-term fix that leads to further long-term problems. So that is the main recommendation.

Chair: Anyone else? If not, I have one final request.

Francis McGee: My only point on that, not directly on the discretionary housing payments but more generally, is that well over half of our clients are in work. The split is about equal between people who are in full-time work and people who are in part-time work. I make the general point that getting people into work where they can is a legitimate objective of the system. It does not, however, address every vulnerability, and you have people who are taking work partly because they have to balance it with other responsibilities or whatever, who are still prone to quite minor income shocks.

A couple of stats, if I may. More than half of our clients are in work. Almost exactly the same proportion, although it is a different group, are in receipt of some form of benefit or tax credit. That group, when we do their budgets, have a surplus of £30 a month above their essential outgoings—that half who are in receipt of some benefit or tax credit. That is how vulnerable they are to changes in the level and availability of those payments, and that is what I mean by an effective safety net. With the way all these different things interact and the conditionality of one type of payment versus the conditionality of another, when you put all those things together from the point of view of a household—while I think the system is at a point of inflection and the drive towards encouraging people to work is not something I have any particular argument with—the question is whether it still remains an effective safety net, given that working life itself in the 2010s and 2020s, is much more variable than it used to be.

David Holmes: A very quick point, Chairman, on your comments about Troubled Families. Family Action is the provider of Troubled Families services in a range of locations around the country. Where we have had success with Troubled Families work is in the fact that we are working in the family home. We are dealing with all the issues that family is experiencing, whether it is conflict, domestic violence, benefits issues, housing-related issues, education, mental health. It is about being able to go in, look at the family holistically, work out what needs to be done and give people strategies to resolve the issues that they are working through. I guess the danger is in looking at any one aspect of Government policy or regulation and thinking that in itself is the answer or the cause. These are complex families, and they need to be looked at in the round.

Q71 Chair: That is part of the brilliance of Louise Casey, isn't it?

David Holmes: Yes.

Chair: She took on the contract on that basis.

David Holmes: Yes.

Q72 Steve McCabe: Joanna, when you repeatedly say the answer is more money, what is your answer to people who will say to you, "You are just a welfare expansionist, and you have no understanding of the public demand for welfare reform"?

Joanna Kennedy: I would say that the public demand for welfare reform is based on an enormous number of misconceptions and misinformation. All the evidence shows that if you ask people if they support welfare reform they say yes. If you tell them what it means in practice, suddenly they are not so keen. That is all about misinformation. I think all these things are self-defeating in the long run for the public finances. Given the social cost to the health service, to the education services and so on of treating people in this way, there is a huge knock-on effect. There is the educational underachievement that comes from moving people from pillar to post, and the strains on the health service that are created by the appalling stress and anxiety suffered by people with these kinds of problems. You are just pushing the costs elsewhere, and indeed the benefit cap saves almost no money at all—very, very small amounts. Every time they assessed what the benefit cap was saving they had to reduce the amount of savings downwards and downwards and downwards, and even then that does not take into account the extra costs it creates for local authorities. That is why this is all based on misinformation. It is not saving money, it is just creating huge burdens.

Q73 Chair: You say that, but consistently the public support the cap and consistently the public are opposing the tax credit changes. Should we not credit the public with some sort of nous in the whole of this area?

Joanna Kennedy: I don't think so, no. I think they really do not know what it means. Everything they are told about the cap is not true. They are told it saves money. That is not true. They are told that it is equivalent to what an average working family receives. That is not true.

Q74 Chair: You could say the base is misinformed, but on the general principle of the cap there is widespread support. There is not such widespread support for the tax credit changes. I think that tells us something about the political culture in this country, which maybe we need to attack in our reports to try to change it, but it is always good to start where the voters are rather than where we think they should be.

Joanna Kennedy: Yes. Well, again, I think people do not understand. The issue about tax credits is that people think that people who are working should not be penalised, but that is because they do not understand that the benefit cap penalises lots of people who are working, for example. This is about misinformation. We see it all the time. I had a Conservative councillor come to my surgery and sit with me while I was advising people. Somebody came in to ask for advice about housing benefit and they were working and the councillor said to me, "But you can't get housing benefit if you're working". That is the level of ignorance.

Chair: It was rather good of the councillor to come and educate themselves, wasn't it?

On this happy note, I want to thank you. You have seen how the Committee has responded over both sessions of evidence. I think you are seeing how our recommendations are beginning to build up.

Francis, it would help—I am thinking about how the report looks—to have information about the Scottish agreement. It is not about endlessly bashing people but about showing how, in difficult circumstances, institutions and bodies can succeed. It would be really good if we could have that as a neat little way of illustrating that.

If any others of you have particular examples that you would like to see in the report, from what you have learned as well as what you have taught us today, that would be good. Joanna, it would be good if you can do it on one side of the paper so it goes into a box.

What I have gained from today has just reaffirmed that people's lives can be very complicated, and poverty does not eliminate the complications, it just makes it more difficult. If we could have something of that flavour from you it would be very helpful, because although it might at one time have been most extreme in London, it is not that uncommon elsewhere now. It would be very helpful for us to present that image as well. Thank you all very much indeed for your time. It has been a great session.