

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

RENT OFFICERS (HOUSING BENEFIT AND UNIVERSAL CREDIT FUNCTIONS) (LOCAL HOUSING ALLOWANCE AMENDMENTS) ORDER 2015

Monday 23 November 2015

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The Committee consisted of the following Members:

Chair: MARK PRITCHARD

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|--|---|
| † Aldous, Peter (<i>Waveney</i>) (Con) | † Poulter, Dr Daniel (<i>Central Suffolk and North Ipswich</i>) (Con) |
| † Allan, Lucy (<i>Telford</i>) (Con) | † Stephens, Chris (<i>Glasgow South West</i>) (SNP) |
| † Atkins, Victoria (<i>Louth and Horncastle</i>) (Con) | † Thornberry, Emily (<i>Islington South and Finsbury</i>) (Lab) |
| † Cummins, Judith (<i>Bradford South</i>) (Lab) | † Tomlinson, Justin (<i>Parliamentary Under-Secretary of State for Disabled People</i>) |
| † Greenwood, Margaret (<i>Wirral West</i>) (Lab) | † Warman, Matt (<i>Boston and Skegness</i>) (Con) |
| † Heaton-Jones, Peter (<i>North Devon</i>) (Con) | |
| Hepburn, Mr Stephen (<i>Jarrow</i>) (Lab) | |
| † Hunt, Tristram (<i>Stoke-on-Trent Central</i>) (Lab) | |
| † Jones, Mr David (<i>Clwyd West</i>) (Con) | |
| † Kirby, Simon (<i>Brighton, Kemptown</i>) (Con) | |
| † Mackintosh, David (<i>Northampton South</i>) (Con) | Daniel Whitford, <i>Committee Clerk</i> |
| Mahmood, Mr Khalid (<i>Birmingham, Perry Barr</i>) (Lab) | |
| | † attended the Committee |

Second Delegated Legislation Committee

Monday 23 November 2015

[MARK PRITCHARD *in the Chair*]

Rent Officers (Housing Benefit and Universal Credit Functions) (Local Housing Allowance Amendments) Order 2015

4.30 pm

Emily Thornberry (Islington South and Finsbury) (Lab): I beg to move,

That the Committee has considered the Rent Officers (Housing Benefit and Universal Credit Functions) (Local Housing Allowance Amendments) Order 2015 (S.I. 2015, No. 1753).

May I start by saying what a pleasure it is to serve under your chairmanship, Mr Pritchard? There is a strange sense of déjà vu about so many of our recent debates on welfare reform, and nowhere is that more the case than when we talk about housing benefit. Sharpening his axe in the early stages of the last Parliament, the Chancellor set his sights on the growing housing benefit bill as a prime target for cuts. Despite cooking up no fewer than nine different ways to cut entitlement, the coalition Government nevertheless ended up with an annual housing bill more than £4 billion higher than the one they inherited.

How did that happen? The explanation is simple: thanks to a lethal combination of a low-wage economy and the lowest level of house building since the 1920s, the number of people claiming housing benefit has shot up. That is fuelled almost entirely by the 64% increase in the number of claims by working tenants in privately rented accommodation. It is important to make the point that housing benefit can be claimed by those in work—the poor in work. There has been a huge increase in the number of those people needing to claim housing benefit because the price of housing is so high.

Local housing allowance—or, in layman's terms, housing benefit in the private rented sector—was always seen by Ministers as particularly low-hanging fruit. Despite the rhetoric of the emergency Budget of June 2010, which referred to “excessively generous payments” of housing benefit, the whole point of local housing allowance was to ensure that these payments would not be more generous than they needed to be.

It worked like this: in any given area, rates were set at the median of local market rents and, more importantly, they would rise or fall in line with those rents each month, ensuring that the cheaper half of the rental market in each area would always be affordable to low-income tenants on housing benefit. So, not luxury accommodation but the bottom half of the housing market would be available to those on housing benefit, including those in work and those out of work. While that system was not necessarily perfect, it seemed the fairest possible way of controlling costs and limiting tenants' choices to a reasonable degree, while ensuring that low-income tenants would not end up getting priced

out of large parts of the country—their country, where they have been brought up. That system, along with the principles it stood for, was completely turned on its head by changes introduced by the coalition.

First, the coalition Government changed the calculation of local housing allowance rates, lowering it from the 50th percentile to the 30th percentile, so that people on housing benefit could only rent from the bottom 30th percentile of properties in a particular area, which dramatically reduced the number of properties available within the limits of housing benefit. In making that change, the Government insisted that

“at least 30 per cent of private rented sector accommodation will continue to be affordable to people who depend on Housing Benefit.”

How did that go? It did not go well, and it should be obvious by now that that is absolutely not how local housing allowance reforms have played out.

The reason is that the move from the 50th percentile to the 30th percentile was only the first of many changes that, in combination, have seen housing benefit become increasingly disconnected from the actual cost of renting. Particularly damaging in boroughs such as mine, Islington, was the overall cap on local housing allowance rates. The cap means, for example, that claimants living in a one-bedroom flat can under no circumstances claim more than £250 per week in my area. If the Minister believes he could find a flat on that budget in my constituency or in any part of inner London, frankly, good luck to him.

The problem with these caps is that they seem to be set at completely arbitrary levels, with no reference whatever to the costs that tenants are actually facing. If hon. Members consider how much they are allowed to cover their housing costs for staying in central London, they might appreciate why £250 per week for a one-bedroom flat is very challenging indeed.

On top of that, the Government changed the rules on uprating, breaking completely the link between local housing allowance rates and actual rents. Instead of rising in line with market rents, local housing allowance rates were first uprated in line with the consumer prices index before increases were capped at a maximum of 1% for a period of two years. In breaking the link with rent inflation, the Government's expectation was that the changes would

“bear down generally on rental values being met through Housing Benefit.”

If it wasn't so sad, it would be funny. We know full well that the effect has not been to bear down on rent levels in any area. Not only has it completely failed to do that, it has not had the slightest impact on the rate at which rents are increasing. According to the Office for National Statistics, private sector rents across the country rose by an average of 2.7% in the last 12 months. Given that there is no impact assessment attached to the Government's proposals, we asked the House of Commons Library to examine some of the effects. Its analysis of the proposed freeze is that if rents continue to increase at the same rate over the next four years, the effects would be nothing short of devastating.

Chris Stephens (Glasgow South West) (SNP): Has the shadow Minister read Shelter's analysis stating that it would be virtually impossible to find a private rented home in 60 local authorities by 2019?

Emily Thornberry: I certainly have. If the Minister and the Department have not had a chance to look at it, I am sure that we could give them a copy. I am also prepared to give them a copy of the Library's research. The Government might not know about the effects. If so, this is the moment to admit it, so we can help them and sort things out together. The alternative is that they do know. If that is the case, they should admit that they are essentially saying that unemployed people will be unable to live in private rented accommodation practically anywhere in the country without digging into other benefits to supplement the amount of housing benefit available to them, which will be not be high enough to cover their rent.

It might be the case that Shelter's analysis has been dismissed because it is a housing-related lobbying organisation. That is why we decided to get the Library to carry an assessment, which provides an example using what it calls the outer north London broad rental market area, which in real life covers Enfield and Barnet and neighbourhoods such as Edmonton, Tottenham and Hornsey. LHA tenants in the area already face a shortfall of around £8 a week between their housing benefit and their rent. After four years of rent increases, according to the Library figures, freezing LHA could mean that a family renting a two-bedroom property in such areas could face a shortfall of more than £50 a week, or more than £2,600 a year, by 2020. That is particularly significant as many of those who have had to move to the outer boroughs in recent years have done so because they can no longer afford to live in inner London.

Many of my 1,000 constituents who have recently moved out of Islington have moved to those outer boroughs, and they will soon need to move again. They will have been put into private rented accommodation by the local authority, perhaps because they were homeless, and they will no longer be able to stay and will need to move elsewhere. Where will they go? Presumably not to Manchester, where a family of the same size would face a shortfall in excess of £1,300 a year as a result of the freeze. Not to Bristol either, where the gap between housing benefit and rent would top £1,400 a year. In fact, no area in the entire country will be unaffected by the freeze. The only variation will be in the size of the shortfall, with fewer areas remaining affordable every single year. If each of the 1.5 million private tenants claiming housing benefit moves to Gateshead or Hartlepool, which is presumably what the Government intend, there will not be enough properties left to house them.

It seems completely inevitable that the policy will lead to enormous costs—well in excess of expected savings—not just to the public purse, but in human terms. The Government have not even carried out any consultation before making these major changes to benefits. They have not had any impact assessment and are, quite simply, hiding from the evidence of the catastrophic effect that the freeze could have on families who will be caught by it.

No doubt the Minister would like to see the research of the House of Commons Library and of Shelter, and I will certainly give that to him. Perhaps, after the Government have looked at the figures and at the effect that the changes will have on real people up and down the country—people in work and out of work, who will no longer be able to afford to live in the private rented sector—they will change their mind.

Alternatively, the Government could always build some affordable housing. That would be good. If the Government are not going to build real affordable housing, people will remain dependent on the private rented sector. Everyone in this room who is an elected Member of Parliament has constituents who will directly be affected by the Government's proposed changes.

Although I understand the Minister's concern about the housing benefit bill, I simply cannot accept that this extreme proposal is the answer. The level of savings that the Government expect from the freeze appears to be completely out of proportion with the hardship that it will lead to. I will address the matter on the Government's terms. Taking into account the Government's commitment to recycle 30% of the savings into what they call the targeted affordability fund, of which we will hear more in a moment, the measures save less than £500,000 a year according to the Government's own estimates. The more or less inevitable increase in costs associated with the rising homelessness that will be a direct effect of this change is likely to wipe out any savings that do materialise, possibly several times over. If a family is chucked out because they can no longer afford their rent, and they become homeless, there are not only human costs, but costs to local councils, which try desperately to find that family some other accommodation.

Ministers have turned a wilful blind eye to the likely consequences, refusing to carry out any consultation or impact assessment, not to mention any meaningful form of mitigation. The targeted affordability fund, to which I referred, is certainly better than nothing but in many areas it might not be very much better than nothing. As the Minister knows, despite being allocated specifically to areas with the very highest increases in local market rents, the fund nevertheless limits increases in certain rates to a maximum of 4% a year.

I do not know whether the Minister knows how much the rents went up in my constituency in the past year, and my constituency is not on its own. Rents in my constituency went up by 8% last year, and rents in places such as Oxford, Cambridge and Brighton have increased by much more than 4%. I appreciate that the Minister is likely to rely on his targeted affordability fund to excuse the measures, but it simply is not good enough. It is of little help to areas such as my constituency—to virtually any part of London, for that matter—let alone to the other areas in which there are spikes and much higher rents.

In Enfield, which has taken a significant number of private tenants displaced from central London by earlier changes to housing benefit, private rents have increased by 7% in the past 12 months. How will it work, Minister? Even the good that the TAF might do in some areas will be irrelevant for the next year, as Ministers have made clear that there will be no additional funding for the first year of the freeze. I do not understand why, apart from its being a cost-saving exercise. I cannot not see how the TAF can possibly give any succour to families who are likely to suffer as a result of this.

Inevitably and yet again, local authorities will have to pick up to the pieces but, as we know, their resources have been severely depleted. Increasing the numbers that are likely to fall through the cracks through no fault of struggling councils will make things even more difficult. Frankly, it would not be right to blame councils for the abysmal consequences of this reckless proposal

[Emily Thornberry]

and the manifest failure of the Government to get a grip on housing benefits. In the end, it is necessary to ensure that people have jobs that pay well and to build some affordable homes.

4.44 pm

Chris Stephens: As ever, it is a pleasure to serve under your chairmanship, Mr Pritchard. I shall be brief, but I am disappointed that yet another piece of serious and contentious legislation is being forced through the back door with little scrutiny. I hope that today, unlike in last Thursday's statutory instrument Committee, the Minister will actually respond to our questions.

It is concerning that even Shelter was surprised that the freeze in the local housing allowance was twice as long as that which it expected the Government to impose. As we have heard from the hon. Member for Islington South and Finsbury, the most concerning fact is that Ministers have not even considered the impact. I therefore ask the Minister whether the Government will publish an impact assessment or, at the very least, write to members of the Committee about the impacts?

I might be able to help the Government slightly. Many people receiving housing benefit already work and they are already struggling to make ends meet—before Government Members come out with the stock line that they are increasing wages, let me say that that does not help workers now as the measures are not concurrent. When will the Government listen to all the evidence that says that they are squeezing the money out of workers' pockets? How does that incentivise work?

The measures in the order, we are told, will make most of the country unaffordable. As I said in my question to the hon. Member for Islington South and Finsbury, Shelter has told us that the order will make it virtually impossible to find a private rented home in 60 local authority areas by 2019. Is this thinly veiled social cleansing? I ask that because it can only lead to ghettoisation across the United Kingdom. Unless the UK Government commit to measures such as mitigating the effects of the bedroom tax, building more homes during this Parliament and keeping rents down, that is what will be achieved.

Will the UK Government ensure that the measures in the proposal will not discriminate against some groups in our society? The hint about boosting the targeted affordability fund does not offset the big freeze overall, and those struggling to pay rising rents will face more rent shortfalls, more arrears and a greater risk of eviction. I will vote against this order and I urge everyone to consider the impact that it will have on hard-working families.

4.47 pm

The Parliamentary Under-Secretary of State for Disabled People (Justin Tomlinson): It is an absolute pleasure to serve under your chairmanship, Mr Pritchard. The order puts in place the changes needed to freeze local housing allowance rates for four years from April 2016. Between 2000 and 2010, housing benefit expenditure doubled in cash terms, reaching £21 billion. Left unreformed, housing benefit would have cost £26 billion by 2014-15. Our reforms are now saving about £2 billion a year, and the

summer Budget measures will add to that. Crucially, we ended the presumption that housing benefit would always pick up the bill.

Since reforms to the LHA were introduced by the coalition Government from April 2011 the number of housing benefit claimants living in the private rented sector is down by about 1% nationally and 3% in London. More claimants are moving into work as people make sensible decisions about what they can reasonably afford. The case load numbers show that claimants continue to live in all areas, including central London. The current case load for those renting privately in the capital stands at 258,000.

The Government made clear their intention to make significant savings to welfare expenditure before the general election. This measure is part of that commitment and was announced in the summer Budget. The Budget statement was followed by several days of debate, which provided an opportunity for this and other Budget measures to be discussed, particularly on the first day of debate, 9 July, when my right hon. Friend the Secretary of State for Work and Pensions responded on behalf of the Government.

This measure is not included in the Welfare Reform and Work Bill, as the Secretary of State already has the powers in primary legislation to change the way in which LHA rates are set. In response to hon. Members' comments, however, it might help if I clarify how the freezing of LHA rates will work during the four-year period. The rates will still be reviewed each year by rent officers, who will continue to calculate, as they have previously, the 30th percentile of a list of rents for each property size in each area. In line with the amendments to the rent officers order, they will then set the new LHA rates at either the April 2015 rate or the 30th percentile of listed rents if that is lower.

Tristram Hunt (Stoke-on-Trent Central) (Lab): Will the Minister clarify the means by which the area is codified? I ask that because in Stoke-on-Trent and Staffordshire there is a broader area for housing benefit that does not actually take account of some of the narrower economic circumstances of a specific area.

Justin Tomlinson: It is done on a regional basis. Discretionary housing payments can help to alleviate that situation, but I will come back to that, if the hon. Gentleman can be patient.

Tristram Hunt: My concern is that we are ending up with areas in which it is much easier for landlords to make quite a high profit on housing benefit, relative to other areas. Essentially, the rate is too generous. Streets are being turned into areas with fly-by-night populations, as well all the problems we see with certain landlords. The order needs to be more specific about how the benefit is adjudicated.

Justin Tomlinson: Let me ponder that question and come back to it.

The Government recognise that some places will see high increases in rents, so we have made provision to help those areas. Over this Parliament, 30% of the savings generated from the measure will be recycled and used to create more targeted affordability funding, which will be used to reduce the gap between frozen LHA rates and the 30th percentile reference rent in areas of the

greatest rental growth, building on the £140 million already distributed since 2014.

Hon. Members may be aware that in 2015-16 we have increased 191 LHA rates by 4%, instead of the uprating limit of 1%, using the targeted affordability funding. More than half of the LHA rates in London—41 out of 70—received the extra increase. The funding has also benefited other parts of the country such as Manchester and Aberdeen.

Emily Thornberry: The Minister just referred to 41 areas receiving this additional funding. Is he telling the Committee that in those 41 areas, people can rent anything in the bottom 30th percentile of properties in the local authority, within the limits of housing benefit?

Justin Tomlinson: That is why the additional funding was provided—to make up the difference in those particularly high rental growth areas.

Emily Thornberry: The Minister will appreciate, however, that it did not.

Justin Tomlinson: I will come to the stats. I will not forget that point, as it has already been mentioned.

In 2016-17, the effect of freezing LHA rates will be the same as it would have been if rates had been updated by CPI inflation due to the level of CPI forecast in September. As a result, LHA rates would not increase in 2016-17 but would mostly remain at the 2015-16 levels. As there is currently no inflation in the economy, no savings will be made from the freeze in 2016-17 and there will therefore be no targeted affordability funding for that year. Targeted affordability funding will, however, be available from the savings for subsequent years, up to and including 2020-21.

From 2017-18, we will use the targeted affordability funding to support areas where higher rent increases are causing a shortage of affordable accommodation. The amounts of targeted affordability funding available each year from 2017-18 and our plans for how we distribute it will be announced as part of the review of the order in future years.

In the summer Budget, the Chancellor of the Exchequer announced that an enhanced package of £800 million of discretionary housing payment funding will be made available to local authorities over the next five years to provide support to the most vulnerable claimants affected by housing benefit reform, including this measure. That was a 40% increase on what was previously offered. I can also reassure hon. Members that alongside the LHA rates, we will continue to publish the 30th percentile of market rents in each area, as we have previously, so that they can be scrutinised.

To pick up on some of the specific questions that were asked, I absolutely agree that the biggest challenge is demand outstripping supply. Addressing the lack of affordable housing is therefore a real priority. There has been a welcome announcement of an extra £1.45 billion to be spent creating an additional 43,000 affordable homes in London by 2018.

Emily Thornberry: I wonder if the Minister could assist us with those affordable housing statistics. Will those affordable homes be in the bottom 30th percentile?

Will they be within reach of housing benefit? If we are talking about housing benefit and affordability, surely the two should be in line.

Justin Tomlinson: We do not control housing prices, but clearly the quicker we can get these new houses, the bigger the difference they will make. Across the country, we expect at least another 275,000 affordable homes to be built before the end of the Parliament. Through the new homes bonus, we provide additional incentives to local authorities to increase the provision of affordable homes, so they get paid more than just six times the value of the council tax. Our extension of the right-to-buy policy will also result in new housing stock being brought in.

I was asked whether the policy had resulted in rental prices falling. In some areas it has, and in some it has not. We know that 27% of landlords have been negotiating; that figure is as high as 47% in London. On the point about whether there will be ghettos and whether people will suddenly disappear, 79% of those who moved during this period moved within 5 miles, and the vast majority did so for personal rather than financial reasons. If we look at the broader picture, we see that 93% stay within their region.

There have also been behavioural changes. Two hundred people a week are coming off housing benefit because of a combination of rising wages in our growing economy, the 2 million new jobs that have been created, the negotiations that have taken place and, in some cases, the fact that rents have been reduced. Therefore, keeping the economy going in the right direction remains a key priority. In response to another point that was raised, the broad market areas take into account local amenities such as schools, shops, hospitals and transport, and there can be quite a broad range of rental prices within an area.

I commend the order to the House.

4.56 pm

Emily Thornberry: Mr Pritchard, we will put the matter to a vote.

Question put.

The Committee divided: Ayes 10, Noes 5.

Division No. 1]

AYES

Aldous, Peter	Kirby, Simon
Allan, Lucy	Mackintosh, David
Atkins, Victoria	Poulter, Dr Daniel
Heaton-Jones, Peter	Tomlinson, Justin
Jones, rh Mr David	Warman, Matt

NOES

Cummins, Judith	Stephens, Chris
Greenwood, Margaret	
Hunt, Tristram	Thornberry, Emily

Question accordingly agreed to.

4.59 pm

Committee rose.

