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GENERAL COMMITTEES

Public Bill Committee

WELFARE REFORM BILL

Eighth Sitting

Thursday 31 March 2011

(Afternoon)

CONTENTS

CLAUSE 10 agreed to.

CLAUSE 11 under consideration when the Committee adjourned till
Tuesday 5 April at Nine o'clock.

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The Committee consisted of the following Members:

Chairs: MR JAMES GRAY, † MR MIKE WEIR

- | | |
|--|---|
| † Baldwin, Harriett (<i>West Worcestershire</i>) (Con) | † Miller, Maria (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| † Bebb, Guto (<i>Aberconwy</i>) (Con) | † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) |
| † Buck, Ms Karen (<i>Westminster North</i>) (Lab) | Paisley, Ian (<i>North Antrim</i>) (DUP) |
| † Curran, Margaret (<i>Glasgow East</i>) (Lab) | † Patel, Priti (<i>Witham</i>) (Con) |
| † Elliott, Julie (<i>Sunderland Central</i>) (Lab) | † Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab) |
| † Ellison, Jane (<i>Battersea</i>) (Con) | † Sarwar, Anas (<i>Glasgow Central</i>) (Lab) |
| † Elphicke, Charlie (<i>Dover</i>) (Con) | † Smith, Miss Chloe (<i>Norwich North</i>) (Con) |
| † Fovargue, Yvonne (<i>Makerfield</i>) (Lab) | † Swales, Ian (<i>Redcar</i>) (LD) |
| † Gilmore, Sheila (<i>Edinburgh East</i>) (Lab) | † Timms, Stephen (<i>East Ham</i>) (Lab) |
| † Glen, John (<i>Salisbury</i>) (Con) | † Uppal, Paul (<i>Wolverhampton South West</i>) (Con) |
| † Grayling, Chris (<i>Minister of State, Department for Work and Pensions</i>) | † Willott, Jenny (<i>Cardiff Central</i>) (LD) |
| † Green, Kate (<i>Stretford and Urmston</i>) (Lab) | |
| † Greenwood, Lilian (<i>Nottingham South</i>) (Lab) | James Rhys, <i>Committee Clerk</i> |
| † Hollingbery, George (<i>Meon Valley</i>) (Con) | |
| † McVey, Esther (<i>Wirral West</i>) (Con) | † attended the Committee |

Public Bill Committee

Thursday 31 March 2011

[MR MIKE WEIR *in the Chair*]

Welfare Reform Bill

Clause 10

RESPONSIBILITY FOR CHILDREN AND YOUNG PERSONS

Amendment moved (this day): 21, in clause 10, page 4, line 30, leave out 'may' and insert 'shall'.—(*Margaret Curran.*)

1 pm

The Chair: I remind the Committee that with this we are discussing amendment 22, in clause 10, page 4, line 31, at end insert—

'(2A) Regulations shall make provision for the inclusion of an additional amount if such a child or qualifying young person is severely disabled, in addition to the amount referred to in subsection (2).'

Margaret Curran (Glasgow East) (Lab): Again, I am pleased to serve under your guidance this afternoon, Mr Weir. I spent lunch time trying to come up with a gag about bookcases and the Department for Work and Pensions website, but I failed to come up with anything. What an admission! How shameful for a Glaswegian not to be able to do that, but I will have plenty of time to work on it in Committee.

I had just reached the stage where I was asking the Minister whether the Government intend to table specific amendments at the appropriate time to enable hon. Members to scrutinise, decide and reflect. I want to get into the substance of what the proposals are about and explore some of their issues. I understand that the Government's intention is to align arrangements for disabled children with those of disabled adults, to simplify the system. I appreciate the strong argument for that, but the most important element of our discussions this afternoon is about reprioritising existing resources to deliver more support for children with the most severe disabilities. I accept that that is the Government's interesting intention, but it has many implications.

The Government therefore intend to introduce two new disability additions to replace the existing provision, and I am sure that the Minister will explain them in detail when he replies to the debate. There will be a higher and a lower addition. For families with disabled children, the higher rate will increase by £1.50 a week. The current rate is £74.50. There will be a qualifying benefit for children who currently receive disability living allowance at the higher rate. A new provision will extend entitlement to children with a severe visual impairment.

I am sure that all hon. Members of all parties appreciate the real challenges faced by families with children with severe visual impairments, and I understand the rationale of the Government's thinking on the new provision. However, I want to focus on the other group of children, because there are severe implications for them. Children

who currently receive the middle rate of disability living allowance will have the disability addition under the new proposals of universal credit significantly reduced compared with their existing entitlement to the disability element of child tax credit. It will be reduced from existing arrangements of £52 per week to £25.95 a week. That is a loss of about £26 per week for many families with disabled children.

Such a significant reduction will have an impact on thousands of families, and several families on the middle and lower rate of disability living allowance will be caught by surprise. We all need to think about the families who will be affected and the implications for them.

Kate Green (Stretford and Urmston) (Lab): Does my hon. Friend agree that one of the difficulties for families with disabled children is that the conditions are often less stable than for adults with disabilities? By narrowing the test in such a way, parents will face even greater uncertainty not only in respect of the financial circumstances, but in the context of a condition that could be changing or degenerating quickly.

Margaret Curran: Yes, my hon. Friend makes an important point, and as we consider the detail of the amendments and decide whether or not to go ahead with the proposals, we will examine the testimony of families and their experience, particularly families with the lower and middle-rate care, because we cannot easily dismiss their experiences. If children have such experiences, they still have significant disabilities that have enormous implications for their family's income, lifestyle and quality of life.

I appreciate that the Government are bound to argue that transitional protection will be built into universal credit and will apply in this respect, but I ask Members to look particularly at the briefing from Every Disabled Child Matters, which refers to transitional protection in some detail. It states:

"Although existing claimants will be transitionally protected, in the future up to 63% of those children qualifying for DLA will...be affected by this".

As we discussed in the evidence sittings, a change of circumstance could take that transitional protection away from people, and we are still to have many detailed debates about possible changes of circumstances. The fact that another child might leave the house or a partner gets a job could radically alter the family's income and seriously undermine the income of people with children in such circumstances. I ask hon. Members to think about that.

Charlie Elphicke (Dover) (Con): I am listening to the hon. Lady's argument with interest. She is talking with great passion. How many children fall into the category of severely disabled that is covered by the amendment?

Margaret Curran: As I think that I made clear at the beginning of my speech, the amendment is slightly out of kilter because it was tabled with reference to the Bill, but, with your permission, Mr Weir, I am now referring to the proposals that the Government have since announced.

I will come on to figures because we need to look at them. They are not yet conclusive, but we have received early indications from some charities and the Library,

as well as the Department for Work and Pensions to which I shall happily refer later and perhaps in more detail if hon. Members would like me to do so. Many families will be caught by surprise by the scale of the Government's proposal. I am sure that many hon. Members are now aware, if they have had time to read their e-mails in the past 24 hours, how many charities have equally been caught by surprise and seem to be fairly staggered by the nature of the proposal. For example, Family Action estimates that 100,000 families will be affected and lose about £1,366 per annum. That can equate to £20,000 in the lifetime of a disabled child. A family with two disabled children could lose £40,000. We are talking about a significant financial sum. Every Disabled Child Matters argues strenuously that the proposal will have a significant impact on child poverty, as we discussed this morning. I quote again from its briefing:

“Childhood disability is frequently a ‘trigger event’ for poverty”.

I have understood the debate and have listened with great interest to the Minister talk about how we actually tackle poverty and get people back to work. I am as passionate about getting people back to work as I am about anything else, and I fundamentally believe that it is the answer to poverty, but we must also understand that poverty is complex. If a child has a disability, it can affect their ability to work. Perhaps such children cannot work many hours and suchlike. I appreciate that universal credit is part of an argument to answer some of the challenges in respect of flexibility that it tends to provide, but Every Disabled Child Matters is now arguing that the scale of the change for families with disabled children undermines the universal credit proposal and could be serious in how it is moved forward.

Kate Green: Like my hon. Friend, I am very passionate about work as a good route out of poverty for all who are able to take it, but does she agree that, even when parents of disabled children can move into work, they often face higher in-work costs than other parents, such as higher child care costs or higher costs of transporting their child to safe child care places to enable them to go to work. These premiums have helped families to close the gap when meeting such costs.

Margaret Curran: Yes, again, I strongly agree with my hon. Friend. Her knowledge is showing itself yet again and helping us to assess the proposals. All charities for the disabled, as well as all families with experience of disability, will talk of the extra costs of disability. I appreciate that there could be debates about how the extra costs of disability are met, and there is no doubt that people use the premiums and elements as a way of assisting them to meet some extra costs. Even child minding can be a different cost because the parent might need someone to put specialist equipment in the house.

Of course, children with several disabilities must get the support that they need. I do not want to get into an argument about people with severe disability, but they are being pitched against those with a lower disability and that can sometimes be quite pernicious. We have to be clear. I am sure that many constituents have made this clear to us. If someone is a mother or a father of a child who is on the lower and middle rate for disability, those needs and extra challenges cannot easily be dismissed.

They are still significant disabilities; they still involve significant costs; and they still involve significant rearrangements and challenges for such families.

Yvonne Fovargue (Makerfield) (Lab): Does my hon. Friend agree that the difference between a disabled child who is on the middle rate and one on the higher rate is quite small? A child needs substantial or continued attention throughout the day to get the middle rate, which involves the parents in an awful lot of looking after. A substantially disabled child can get the middle rate, whereas a less disabled child might get the higher rate because of the need for attention during the night that is more than a child of that age would usually need. In my experience, it is very difficult for the parents of a disabled child to claim the higher rate. A much higher hurdle is put in their way.

Margaret Curran: I thank my hon. Friend for those comments, which illustrate the knowledge that she brings to our deliberations this afternoon. In fact, the briefing from Citizens Advice also makes the point in great depth about the experience of people on the middle rate and what that involves for such families. It is incumbent on us to appreciate what that is like, before making what the Government would argue are such necessary changes.

I have a number of questions for the Government. As I have asked already, will there be a specific amendment and when will we return to the matter? I am sure that the Minister has got that point. Will an impact assessment be attached, so that we can understand the full implications? Why has there been such a steep reduction—£26 a week is quite a loss—and why is it of that order? Paragraph 4(f) of “Additions for longer durations on Universal Credit”—the document to which I referred earlier—makes an interesting point:

“More generous uprating over the period 2003-10 has seen the child payments increase at a faster pace than the adult payments, leading to a lack of alignment in rates.”

Can the Minister give us more information?

The Government aim to align child and adult payments, so part of the problem would seem to be that between 2003 and 2010 more emphasis was placed on giving resources to disabled children slightly out of kilter with disabled adults. We need to argue the rights and wrongs of that, because the Government now seek to alter it. Is that the right policy? Was it right to give slightly more resources to families with disabled children than to disabled adults? There is still an argument for, and it would be interesting to hear the argument against.

Most charities so far are saying that the case has not been made for that change, as indicated by my hon. Friend the Member for Manchester—forgive me, my hon. Friend the Member Stretford and Urmston—my geography has improved enormously since I was elected to the House. The point has been made that there are particular stresses and strains in relation to children. Nevertheless, wherever we stand in that debate, we need to think and argue it through as we move forward.

The document that I referred to also makes a significant point that gives parameters to our discussion this afternoon:

“The Government does not believe it would be right for resources released from this reform to return to the Exchequer.”

To me, that is very welcome. We know clearly what territory we are in. The money will not be lost to the Exchequer, according to the paper. This is not about

[Margaret Curran]

savings, the deficit or those arguments; it is about a transfer of existing resources within an envelope. I assume that the logic is a transfer to children with the most severe disabilities, but that raises some issues.

Given the scale of the reduction, the implication is that there will be significant savings. Where are those savings? What are they? What is their scale? Where will they go? Will they go to children with severe disabilities? If the savings do not go to that group, will they go to other disabled children or to a broader range of people in the universal credit system? On those details, the Government's proposals stand or fall.

The provision is very controversial, and it needs more time and thought. It is of great import to the disability community, and it will have day-to-day significance to those families who are working hard to care for their children. I am sure that we have all received many significant representations from that community, and it is one that we all must listen to. Many of us may well have our own family experiences of such matters. This is of great significance. Mr Weir, I signal again that my amendment was tabled in a different context, so perhaps we can decide how to pursue that after we have had the debate if I may be permitted to put it that way.

1.15 pm

Sheila Gilmore (Edinburgh East) (Lab): What we are looking at is part of the difficulty that we get into in simplifying. No one would say that they want to keep the complications in many current benefits. Although such benefits have assisted a number of families, including those with disabled children, they are complicated in how they operate and interrelate, so yes, simplification is a good thing. As we have said before, however, simplification has its own problems. Will people lose out as a result? Are they people who we might not want to lose out, and what is the exact qualification?

When people see the apparent unfairness of some people getting larger payments than others, they have a tendency to suggest that the answer is to level down. We are told that payments for disabled children have become out of kilter with payments for disabled adults and have risen faster. The answer, we are told, is to align with the lower payment. There are alternatives, however, even from the same financial envelope—we could align somewhere in the middle. It is not essential to level on the proposed basis.

In addition, it is not good enough simply to say that existing families with disabled children will be protected through the transition. We are still uncertain what a change of circumstances will be and how long transitional protection will operate. Obviously, such protection will lose value over time, even if circumstances do not change. Families will emerge constantly who did not expect to find themselves having to claim, whether owing to an accident, a developing degenerative disease or the birth of a child with disabilities. All those difficulties are unpredictable, and there will be a fresh flow of people in such circumstances. With a lower benefit, such people will lose out compared with the previous position. It is therefore not good enough constantly to say, "Well, it's okay, because there will be transitional protection, so that's fine." There will be fresh examples of people falling into this group.

Universal credit will give people flexibility. My hon. Friend the Member for Glasgow East has discussed the importance of people getting into work and the difficulties that they may face, particularly if they have a disabled child. Being able to work shorter hours may assist such people in getting into work; nevertheless, the additional costs remain. Additional income will become available to many people who work these "mini-jobs", which seems to be the trendy word for them. The problem, however, will be that such jobs will be pretty low-wage.

I understand that the thinking behind universal credit, which I do not disagree with, is that people should be enabled to progress—in the fullness of time, having had the taste of a mini-job, they could go on to do a midi-job and then a maxi-job. That is fine—they may or may not be able to do that—but where people have a disabled child, for example, the advantage of being able to work shorter hours is clearly that it fits in with those responsibilities. It could suit some of them, unlike some of the rest of us, who may well have fewer caring responsibilities as our children get older and as they get to secondary school age and no longer want us fussing around them quite so much. One's freedom to work longer hours does improve, although there are some limits to that.

For the parents of disabled children, it is a particular issue that such arrangements continue. We are dealing with a group who may have the flexibility to do some work, where previously they could do none, and to earn a little more than they could have done previously, but in low-wage jobs and on low hours, the increase will not be significant. If other payments that were previously made to support that family are taken away, they will indeed be worse off.

What is always getting said in this debate is that, if we have not worked out the finances and do not know how that money will be paid, we should not make any suggestions. It is very difficult to use one subject area and say that that is where we must put all our financial eggs in terms of reductions or, we hope, future increases in expenditure. Choices must be made across the whole political board. Hon. Members, even some in the Opposition, will no doubt differ on how we do that and where we would make those choices. On that basis, it is not unreasonable for us to make proposals that will help people, even though they have a cost.

The Minister of State, Department for Work and Pensions (Chris Grayling): Let me deal with this debate in two halves. Clearly, the amendments focus very much on the nature of the clause, which will make provision for an amount to be paid within the universal credit in respect of a child or qualifying young person. Amendment 21 would write into primary legislation that we must include an increased amount if that child or qualifying young person was disabled. Amendment 22 would create a similar requirement if someone was severely disabled.

Let me deal with that practical issue first. It is absolutely our intention to have a two-tier structure of payments similar to child tax credit; one rate for a disabled child and a higher amount for a severely disabled child. The regulation-making powers in the clause will clearly allow us to that, so I can reassure the hon. Member for Glasgow East on that point.

One of the reasons for not writing this kind of thing formally into primary legislation is that doing so removes flexibility. We have had one or two cases in recent times—for example, over visual impairment—where it has been necessary to return to primary legislation to make a change if the direction of policy changes or something arises that requires us to do something slightly differently. In no way is this an attempt to derecognise severe disability or disability; we are simply maximising the flexibility to deliver the most appropriate system at any time. There is an absolute commitment from us to retain those two elements.

We also intend to retain the link with receipt of disability living allowance, so that the payment for a severely disabled child or qualifying young person is based on an entitlement to the highest rate of the care component of DLA, or what will come out when we move over to the personal independence payment in the future. We intend to expand eligibility to the higher addition, so that severely visually-impaired children can also receive the higher rate.

Kate Green: I would be very grateful to the Minister if he clarified something that he said a moment ago about retaining the current DLA gateway arrangements when we move to universal credit. As the situation on DLA has been so fast-changing in recent weeks, will he clarify whether or not the intention is to replace children's DLA with PIP in the future?

Chris Grayling: At the moment, we are simply moving ahead with PIP on adults. We have certainly not ruled out moving to PIP in the future for children. At the moment, that link will apply under DLA; if we move to PIP in the future for children, that link will be retained. We are not making big changes, and I hope that that will allay the shadow Minister's concern about our intentions.

Let me turn to the piece that is not in the Bill itself, but that is a matter of concern, as articulated by the hon. Members for Glasgow East and for Edinburgh East. I will start with a simple, clear statement: this is not a savings exercise. We are reorganising what is there, so that it fits in the best way possible into the universal credit structure. What we are doing does not generate savings that move outside the disability world.

Margaret Curran: I thank the Minister for that reassuring statement about the disability world. What about the resources for disabled children?

Chris Grayling: Let me talk through what is effectively happening and what we are doing within this mix. We have decided that the current situation in which someone who reaches the age of 18 experiences a drop in the support that they receive is not right. We have decided to harmonise the rates throughout. As the hon. Member for Glasgow East has identified, that has the effect of releasing some funds. We have looked at this in detail, and 146,000 families currently get the disabled child element, of whom 58,000 get the severely disabled child rate. Our intention is that, for those affected by the proposed changes, transitional protection will avoid any cash reduction at the point of change.

The key point is that the savings generated will be recycled into a higher element at the support end of the spectrum. We are trying to create a simple, streamlined system for the bands that exist within the employment and support allowance for the middle, more severe group. We want to recycle any funds generated as a result of the changes that we are making into much higher support within the support group. That will benefit the most severely disabled, and all the funds generated as a result of the reorganisation of the system will be kept in that pot. I freely admit that what is there at the moment will change. This is a realignment. In many ways, as I said in my opening remarks about the universal credit, when we take an existing system and try to realign it into a streamlined, simple form, we get changes and consequences. Everyone receives transitional protection, but the resulting released funds will be recycled to those at the most severely disabled end of the spectrum.

Margaret Curran: I thank the Minister again; he has been very generous in giving way. May I ask for clarification? I am not sure whether I agree with his logic, but I understand it, and we may return to some of the principles of the scale of the change. The resources that severely disabled children get will increase by about £1.50 a week, from £73 to £74.50. I do not disregard that—it is welcome and it will matter to the families—but I do not think that it quite equates with the savings made by the deduction from those who are on the middle rate. Will the savings from the lower and middle rate all be given to children in the category of severe disability, as the Minister understands that category?

Chris Grayling: It is not our intention to realise savings for entirely unrelated purposes as a result of doing this. The aim is to recycle the funds into the top end of the scale, so I can assure the hon. Lady that our policy intent is to retain the money within the disability world and to provide transitional protection for those affected. Overall, the support that we provide to people with disabilities will not and should not change as a result of what we are doing. It will provide a welcome benefit for those at the support end of the scale—the most severely disabled—who are clearly among the most vulnerable and needy in our society.

Kate Green: I am sorry; I am still not absolutely clear on the impact of the changes on children. Is the Minister saying that all the money that is released by removing the premiums from children on lower and middle rates will go to children in receipt of the higher rate, or is he saying that the money released may in part go to children but might go to adults with disabilities as well? If so, in either circumstance, what impact assessment in relation to children has been carried out?

Chris Grayling: The hon. Lady knows that we have carried out very detailed impact assessments on all aspects of the Bill. They are there for her to see. We have set out a plan that brings back into alignment the support that is provided for children and adults. The rationale is that, when a young person grows up reaches the age of 18, a family can experience a fall in their income, and we think that that is not right. People have needs related to disability throughout their lives, so we have created a single system going all the way through that has led to adjustments to what people receive. We

[Chris Grayling]

are providing transitional protection where those adjustments reduce the amount of money that people receive. The money released as a result of those adjustments will be reinvested in support for the most severely disabled people. We do not make a distinction between children and adults in that system, and I hope that that provides clarification.

1.30 pm

Kate Green: I think that clarifies the point. The Minister describes a life-course approach for disabled people. Therefore, the pot of money available to support disabled people is, in effect, a single pot whether they are adults or children. Is that correct?

Chris Grayling: We will provide life-course support. We are trying to move beyond an artificial divide at the age of 18. When we talk to families with disabled children, one of the big anxieties is about what will happen to those children once they reach the age of 18. I am not convinced that there is a case for variation in the support received once children reach that age. We have thought through this matter long and hard, and believe it to be the right approach.

Kate Green: The Minister has been generous in allowing repeated interventions on this point, but it is so important to families with disabled children and I am sure he will understand why I and my colleagues are pressing the matter. The case has been made repeatedly by parents that the cliff edge at 18 is difficult—the Minister is right about that. In part, that cliff edge is difficult because so many other forms of social support for people with disabilities change at that moment. In other words, the support available from social services for families with children who have disabilities is different from the support they receive when those children become adults. I am concerned that the Minister is saying that the financial support might continue completely unchanged, when all the other support that that person receives as they move from childhood to adulthood looks different.

Chris Grayling: With respect, I fear that the provision of services by local social services departments is beyond my remit, although I recognise the issue to which she refers. This is a small way to smoothe what can be an extremely difficult transition. We have sought a life-course approach to supporting disabled people. We recognise the issues raised in the two amendments about the need for differing provisions for less-severely and more-severely disabled people. We have included flexibility for future policy making in that area, and we have clearly said that we are taking that life-course approach. We will provide transitional protection where people are affected, and across the whole field of support for people with disabilities, a more aligned, simpler and more logical approach has been created. That is the right approach to take. I hope I have reassured Opposition Members and that the hon. Lady will accept the status quo and withdraw the amendments.

Margaret Curran: I thank the Minister for that interesting clarification. I will attempt to use the metaphor of the bookcase. If we cannot put anything on the bookcase, it will start getting a wee bit shaky and I do not think we have all the information that we need. I will take that no

further—it is obviously beyond my wits to use that metaphor properly. I accept the Minister's clarification about the Bill. From what he said, I understand that the Government do not intend to bring forward specific amendments to achieve the lifetime approach being taken.

Chris Grayling: It will be done by regulation.

Margaret Curran: I should have asked earlier whether the Committee could see those regulations. They will be a matter of some discussion, and should perhaps be subject to the affirmative procedure. I am not 100% sure of the procedures in this House, but I will pursue that with the Minister to ensure I get it correct. This is a significant change that will matter enormously to many people. A debate should be had in principle about the shift the Government are making towards a lifetime approach, particularly in context of the significant reforms made to existing benefits for disabled adults. If that were not changing, perhaps it would be slightly less contentious. Given that the system is changing so much and that so many adults will purportedly lose their entitlement to the disability living allowance, this is a significant step change. We must talk about the principle behind it, and hon. Members from both sides of the Committee should look at the detail of the legislation because of the scale of change it represents. I will try to find opportunities to pursue that appropriately during the Committee proceedings. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

Stephen Timms (East Ham) (Lab): We have had an interesting debate on the amendments, and before we agree that the clause should stand part of the Bill, I would just like to clarify a couple of points.

First, the Minister has just made it clear that the changes that the Secretary of State announced to us during last Thursday's sitting will be in regulations. Would we therefore need to receive a revised note in due course, or does the note that we have on regulations under clause 10 already incorporate those changes?

Secondly, I believe that the Minister has just told us that the Government intend to reduce support for disabled children in order to increase support for disabled adults. Did I understand him correctly? Lastly, he said that we have already received an impact assessment, but as the announcement is different from what was intended when the original impact assessment was published, I take it that there will need to be a revised one. Is that the case and, if so, when is it likely to be published?

Chris Grayling: Let me respond briefly to those points. First, on the last point, the measure will in due course be subject to regulations laid before the House, and under the rules that apply to such things there will have to be an impact assessment for those regulations, which will set the specific rates.

Stephen Timms: I am sorry to interrupt so soon, but it is important that we have the impact assessments for the entire Bill in time for us to debate them on the Floor of the House. Can the Minister confirm that we will have them on Report, at least?

Chris Grayling: I think that the right hon. Gentleman misunderstands the point. The regulations are about what I described at the start: the setting of individual rates. The legislation and the accompanying regulations provide a framework for establishing rates of support within the universal credit for people with less severe disabilities and for people with more severe disabilities—in this clause, children. The rates are set yearly—normally updated—on the basis of a decision by the Government of the day, and are subject to regulatory approval and clearance by the House. At that time, the individual amounts provided are subject to equality impact assessments and all the various requirements of the legislation, but that is not what we are discussing today.

Both in what the Secretary of State set out last week and the papers provided, we have indicated to the Committee our policy intention, which is to take the steps we have indicated and to provide transitional protection. The shadow Minister is absolutely right; we have taken a decision to realign, and that involves shifting resource towards people with greater levels of disability. He asked about the reduction in support for disability. People who are more severely disabled in this support bracket will receive more support across the life course than at present.

Stephen Timms: I want to be precise about that. Does the Minister propose to reduce the support for children in order to increase the support for adults?

Chris Grayling: We propose no reduction at all for current claimants; they will receive a transitional protection. For future claims—new people in the system—we intend to make adjustments so that payments are flattened out across a life course and that we focus support more on people who are more severely disabled. There is an important difference there. We do not intend to cut benefits for current child claimants. We are introducing a new system for the future and for future claimants, which is what we are doing across a range of issues related to the universal credit. That, however, is not what we are considering in the Bill today.

Stephen Timms: I am puzzled as to why the Minister is so reluctant to confirm what I think he is now clearly saying, that the Government are reducing support for children in order to increase support for adults. I do not criticise that—I simply want all of us to understand precisely what the Government are proposing.

Chris Grayling: I simply stress that we are proposing how we will operate the system in the future, not at present for existing claimants. As the right hon. Gentleman rightly says, in the future the balance will move so that resources are targeted more on those who are more severely disabled. We will remove the divide that exists at the moment between children and adults. That will be done through regulation and will be subject to impact assessments at the time, and we believe that that is a better overall approach to provide support across the lifetime. What we are discussing in the clause stand part debate is whether there should be an element of the universal credit to support children and families and the extra cost and responsibilities entailed, both for people who are disabled and for those who are not. That is the question of the clause stand part debate.

Stephen Timms: Can the Minister tell us whether the impact assessment that we have already received reflects the change that is being announced?

Chris Grayling: The right hon. Gentleman continues to misunderstand the difference between what happens under the regulation powers in the Bill as time goes by and the measures of the Bill itself. Decisions about the level of each element of the universal credit—the actual amounts—and the impact of the decisions about the amounts and the relationship between them will be subject to an impact assessment when they are brought before the House. We have set out in quite a lot of detail our initial intention for the things that we intend to put in place as part of the universal credit, so that hon. Members on both sides have a sense of what our policies are when we implement the measures in the Bill. The existing duty to produce detailed impact assessments, as we have done, probably goes far beyond the requirements of the Bill. We have put as much detail as possible before the House, and there will be further details when the regulatory powers come forward.

Kate Green: I understand what the Minister is saying about doing a detailed impact assessment on rates at the time when we have firm proposals about them, but surely we can already make an impact assessment of the overall impact on children, on their outcomes and potentially on child poverty. Does the impact assessment that has been done for the Bill to date cover the proposal that we are currently debating in those regards?

Chris Grayling: We have looked at the proposals in the context of child poverty. We believe that taking this approach will make no difference to child poverty levels. I can give the hon. Lady that clear assurance.

Stephen Timms: Again, I am puzzled as to why the Minister is unable or unwilling to answer what I think is a straightforward question. The impact assessments that have been published contain many figures about people who lose and gain and assumptions about rates. Is the assessment that reflects this clause still correct, in light of the change in policy that the Secretary of State announced last Thursday? It is simply yes or no.

Chris Grayling: The answer is yes. As I keep saying to the right hon. Gentleman, the impact assessment that has been published for the clause is unaffected by the change of policy. In due course we will bring forward an impact assessment that relates to our decisions on disability additions, which will be available to the Opposition. Although impact assessments are not required until we table the regulations, we will bring them forward during the Bill's passage through Parliament as early as possible, so that hon. Members on both sides understand the impact of what we have done. However, the impact assessment that relates to this clause is still valid. Furthermore, we do not believe that the package of proposals that we intend to introduce in due course will have an impact on child poverty levels—that is important. We think that this is a better way of doing it. On that basis, I hope that the Committee will accept clause 10.

Question put and agreed to.

Clause 10 accordingly ordered to stand part of the Bill.

Clause 11

HOUSING COSTS

Ms Karen Buck (Westminster North) (Lab): I beg to move amendment 35, in clause 11, page 5, line 4, after ‘home’, insert ‘, including mortgage interest payments’.

The Chair: With this it will be convenient to discuss the following: amendment 45, in clause 11, page 5, line 23, at end insert—

‘(4A) Regulations under subsection (4) shall provide that determinations of housing costs for the purpose of this section shall have regard to—

- (a) rents and occupation charges within the locality in which the relevant property is situated; and
- (b) the nature of the tenancy or occupation contract under which the liability arises, including any statutory protection of the letting in question.

(4B) For the purposes of subsection (4A), the “locality” means such area as may be defined in accordance with the regulations.’.

Amendment 24, in clause 11, page 5, line 29, at end add—

‘(6) Before implementing the regulations in subsections (3), (4) and (5), the Secretary of State shall publish a report on his method for uprating awards for housing costs, covering the effect of differences between actual rent and the amount on which the award is based.’.

1.45 pm

Ms Buck: It is a pleasure to make my first contribution to the Committee under your chairmanship, Mr Weir.

The amendments deal with housing costs. We would like the Minister to explain how he intends to monitor and review the relationship between housing costs and universal credit, and to inform us of his thinking on the extent to which universal credit will meet actual housing costs, which is a matter of great concern for both the housing sector and tenants. We also want further information about the treatment of mortgage interest and how that will roll forward into universal credit.

The amendments allow us to test a central element of universal credit, because housing costs are very significant to low-income households. In many cases, they constitute the largest element of a household’s budget, so it is extremely important that we get this right. The Bill gives sweeping powers to the Secretary of State through secondary legislation. From clause 11 and clause 68, which we will discuss later, we know some of the Government’s intentions for universal credit, and we wish to test them today.

In practice, clause 11 paves the way for the most fundamental change in the treatment of housing costs since the introduction of the contemporary welfare state. Beveridge struggled with, and could not find, an ideal system for treating housing costs, largely because of the enormous variation in housing costs in different parts of the country. That point is still germane today. The clause will make changes that affect that whole settlement, and we will move away from the existing structure of treating housing costs that was largely laid down in legislation in 1992.

There are regulations that give us some indication—we received that information on Tuesday—about how the Government intend to proceed. However, many of the

key existing regulations that determine the calculation of awards, the method of payment, and so on, were not included. It is, therefore, a blank canvas, or an empty bookshelf—to continue what will be a recurring motif in the Committee. We fear that we do not have the construction manual. *[Interruption.]* There will be more analogies—the shelf, as constructed, will not be strong enough to bear the weight of the volumes that we intend to place upon it. *[Interruption.]* No, I have run out for the moment.

The concerns about whether the shelf will be strong enough to bear the weight take us back to an intervention on Tuesday by—I think, but I may be wrong—the hon. Member for Aberconwy. He made the point that unemployment is one of the worst and most devastating things that can happen to anybody, which is absolutely true. I put it to the Committee that the worst thing that can happen to people—setting aside human tragedies—is homelessness. Homelessness, which in the past has often been consequential on unemployment, is one of the most devastating experiences. We know all the information—volumes of it—about how homelessness impacts on families, children, and people’s well-being. We need to be absolutely sure that whatever we construct as a method of meeting housing costs will not lead to additional homelessness and will not mean that, when people lose their job or their income, there is a very real risk that they may also lose their home.

We know that the popular mantra of the Government over the past year has been that housing benefit, which will be rolled into housing costs under clause 11, is out of control. That phrase is frequently used, but housing benefit, as a principle—we can discuss the details of this—is something of which we should be proud. Housing benefit did exactly what it should have done. It acted as a stabiliser. During the recession, it acted as a means of ensuring that homelessness did not soar. Remarkably, given the scale of the recession and given what it did to people’s jobs and incomes, we did not see soaring homelessness. The last time that we had a recession, which was less grave, at the beginning of the 1990s, homelessness soared. It is worth reminding the Committee that, in 1992, homelessness peaked at 138,740 households, which is the best part of 500,000 people. In 2008, the figure was 14,000, and it was 11,840 in 2010. Housing benefit, therefore, worked. It acted as a stabiliser, and it is important, because we will possibly see a recurrence of those recession years. I hope that we do not, but we are projecting high levels of unemployment, so who knows what is going to happen in the future as the economy withers. We know that it is absolutely essential that we have a mechanism in place that ensures that we do not repeat the experience of 1992.

Priti Patel (Witham) (Con): The hon. Lady is making a clear case about the issues around housing and the impact that they have on people, but exactly which definition of homelessness is she using? It has clearly changed over the years since the recession that she has pointed out. Is she using, for example, the definition of two children sharing a single bedroom?

Ms Buck: I am not talking about the definition of overcrowding, which is a completely different point. We are discussing homelessness, and it has been defined in legislation since 1986. It was amended in the Housing

Act 1996 and again in the Homelessness Act 2002. It means people who are at risk of losing their home. The definition is clear. It can include people whose homes are repossessed, and it can mean people who are losing their homes as a consequence of, as is often the case, the end of an assured shorthold tenancy. If people have to move and downsize—I have no problem with that—we need to be sure that people will not go through the trauma of enforced homelessness.

Kate Green: Does my hon. Friend not agree that the reason why we are so concerned about having this sort of definition of homelessness is because of the consequences of living in that situation? This applies particularly to young people, who may be forced to sofa-surf from one friend to another, which completely inhibits their ability to look for employment or to remain in education or training, for example. That is why we have a definition of homelessness that is about outcome in terms of what we are seeking to drive at.

Ms Buck: My hon. Friend is right. We need to ensure that people have some stability. It is, above all, critically important for families with children, but it is also important for people seeking work that there is not a problem of enforced mobility, which is a dimension of homelessness.

Paul Uppal (Wolverhampton South West) (Con): The hon. Lady makes a specific point about the comparison between the figures of the early 1990s and those of the recent recession. If she is specific on that point about individuals and families at risk, she will find that, in the early 1990s, lenders were much more predisposed to going down the route of repossession, because of a different economic situation. I think she will find that that may answer the question.

Ms Buck: That is not an unfair point. Part of the reason that lenders behaved differently were changes made by the Labour Government. Measures were put in place to discourage early intervention on the part of lenders. One of the issues, which I will refer to later on, is that there is concern among lenders over what will happen to their investments, and some of the uncertainty comes from measures that might increase arrears if actual housing costs are not met.

To be very clear, I am not arguing that the Government's universal credit will see homelessness return to the kind of levels that we saw in 1992. I am merely saying that a range of measures were put in place after the peak in homelessness in 1992 that have been effective. One of those measures was the extent to which housing benefit helped to take the strain during the recession. We know this because the increase in the housing benefit case load during the recession was driven so extensively by in-work claims.

Sarah Newton (Truro and Falmouth) (Con): No one here would want to do anything that would add to homelessness, that would be a dreadful situation. However, my scepticism about the numbers and data the hon. Lady is reporting is because the manipulation of data under the last Government was so appalling, and never worse than in this area. As someone who, like many people here, has done voluntary work with homeless

people, the miscounting and misrepresentation of rough sleepers has only recently been rectified by the current Government.

Ms Buck: I do not have to hand the number of times the Conservative Government changed the definition of unemployment, and I am sure that you would instantly rule it out with regard to this debate, Mr Weir.

Yvonne Fovargue: Does my hon. Friend agree that one reason why homelessness did not peak was the availability of advice through the court repossession desk and the funding given to advice agencies to expand the provision of early preventive measures? I worked in the advice services in the 1990s, and I work in them today, and the difference in the funding available now and in the number of people who can be seen by advice agencies has prevented considerable homelessness.

Ms Buck: My hon. Friend is right, and we will come to amendments on welfare rights later. There are a number of reasons that help to explain why homelessness did not rise during the recession. I merely point out—this is beyond dispute—that housing benefit, as structured, was a very important component, as we can see from the number of claims made between 2008 and 2010 that were either from people in work who saw a reduction in their incomes, or from people who had become unemployed, for whom we ensured that a hopefully temporary period of unemployment did not lead to excessive debt and the risk of homelessness.

Given how little information we currently have about how housing costs will be dealt with, I am anxious to hear from the Minister how he intends to ensure that a housing component in universal credit will carry the strain and prevent unnecessary risk.

Lilian Greenwood (Nottingham South) (Lab): Does my hon. Friend agree that another reason why homelessness has not increased as it might have in previous years is the availability of Supporting People funding, which helped those who were at risk of homelessness and who perhaps struggle with independent living. That access to support and advice prevented them getting into arrears with payments, or finding other ways in which they might have put themselves at risk of losing their tenancies. The changes will come at exactly the time when many local authorities experience dramatic cuts in their Supporting People funding, and many services that have been available to people at risk of homelessness are being cut severely.

Ms Buck: My hon. Friend is right. You would, Mr Weir, rule a discussion about Supporting People outwith the terms of the amendment, but all these issues interact. A recurring theme in my comments will be what I see as the incompatibility between the actions of the Department for Communities and Local Government and the DWP's—in many cases, wholly desirable—aspirations. The undermining of provision for vulnerable people and the cuts in support are examples of that.

2 pm

In defending the basic structure of housing benefit—I expected more interventions from Government Members, but I will try to pre-empt them—I am not defending every aspect of housing benefit as it currently is.

Harriett Baldwin (West Worcestershire) (Con): I hope that the hon. Lady will take the opportunity to put the record straight. I am sure that she will acknowledge that nothing in the changes to housing benefit would justify the comment that she is reported to have made at a public meeting that

“they don’t want black women, they don’t want ethnic minority women and they don’t want Muslim women living in central London.”

Ms Buck: I was expecting that. I make it clear that I was not talking about housing benefit, or certainly not in isolation; I was talking about a whole round of housing benefit and local authority measures, which, as the Government’s impact assessment makes clear, will have a disproportionate impact on black and minority ethnic communities. But I was wrong. It has been a 20-year rule of mine not to write or say anything in public that I would not be prepared to see in the pages of the *Daily Mail*, and I have generally held to that. I made a mistake. In a very small political meeting, I was too lurid, and I accept that. What I should not have done was to have implied motive. I absolutely accept that that was an error.

The Chair: Order. The debate is going far wide of the amendments under discussion. There are interlinked matters, and I have allowed a fairly free-flowing debate, but I ask Members to concentrate on the amendments before us.

Ms Buck: Thank you, Mr Weir.

George Hollingbery (Meon Valley) (Con): I should like to acknowledge the gracious way in which the hon. Lady dealt with the last intervention. However, I do not know the shape of the graph of the figures in the impact assessment on housing benefit, but it is clear that the amount of housing benefit paid out has risen by 50% in real terms since 1999. Does she think that the Government are right to consider that that needs addressing?

Ms Buck: If one looks at the overall rise in housing benefit, it is clear that several factors explain that driver, only some of which are problematic. Particularly during the recession, there was a significant—indeed, dramatic—increase in case load and a substantial real-terms increase in council and housing association rents, which are also factors. The extent to which it is landlords ripping off the system that explains the increase in housing benefit, which is the central point of the argument, is very small. We have to be careful not to throw the baby out with the bathwater, because housing benefit provides for 1 million people.

The Chair: Order. We seem to have got into a debate about housing benefit. The amendments are specifically about mortgage interest payments. I ask Members to concentrate on that, because we have moved into what is basically a stand part debate.

Ms Buck: I am sorry, Mr Weir. I understand that amendment 35 deals with mortgage interest payments and that the other two amendments deal with a review of overall housing costs and the relationship between the payment of universal credit and housing costs as a whole. I had hoped that it would be possible—that is

certainly the intention of the amendments—to address the extent to which universal credit would take into account provision for housing for social and private tenants and, under amendment 35, for people who would receive assistance with mortgage interest, and to deal with those issues together.

The Chair: Order. That is certainly possible, but we have to concentrate on those issues and not continue with the wider debate that we have had.

Ms Buck: I completely take that advice, Mr Weir, although to some extent I was making a response.

Charlie Elphicke: I want to touch on mortgage interest payments, if I may take the hon. Lady to that issue. The difference between this and the last recession is, first, that the interest rate was far higher last time, and it has been very low this time. That has helped to keep the repossession rate well down. Secondly, there is a two-year lag. Last time we had a recession, in 1991-92, repossessions spiked in 1994. Correct me if I am wrong, but I believe that is the case. In effect, we are most at risk of repossessions this year because of the time lag.

Ms Buck: I accept that point. I think it is absolutely right, and I will address mortgages in this group of amendments. We need to know whether the element of universal credit that relates to mortgage interest will be robust enough to deal with any risk that may arise from higher pressures on home owners and mortgage payers.

Chris Grayling: Will the hon. Lady confirm that it was the intention of the previous Government, had they been returned to office, to reduce the rate at which mortgage interest support is provided to 2.5%? That level is considerably below even the Bank of England’s estimate for the average amount of support needed to meet the average level of a mortgage in the UK.

Ms Buck: Had the Labour Government been returned, they would have looked at the prevailing conditions and made a decision. We are not, as I understand it, discussing what a Labour Government would have done. When I talk about mortgage interest, I am not making a profound criticism of the Government’s planned approach; I am merely seeking to test a little the way in which the mortgage interest element will be addressed within universal credit.

What we know so far about the framework in clause 11 on the treatment of housing costs is that the payment available to private tenants, which will roll forward into universal credit, has been reduced from the 50th percentile to the 30th percentile. We also know that the Government will introduce an uprating for private tenants, and tenants receiving a local housing allowance, into the universal credit element; the consumer prices index will replace the current structure. We know that the Government do not intend in all cases to pay actual rents in the social rented sector. I will ask a little more about those issues.

We do not know, of course, the Government’s longer-term expectations for the relationship between actual housing costs and what will be paid, which is what the amendment is probing. We also do not know the extent to which the Government understand and will reflect

regional and sub-regional variations in housing costs and how those relate to the labour market. That is integral because we are all as one in agreeing the centrality of work and giving people effective work incentives. And we do not know how some of the proposals interact with statutory duties on homelessness laid out by the Department for Communities and Local Government.

We do not know how the Government intend, if they do, to ensure that at least 30% of the private rental market remains available to private tenants, broadly speaking, across the country, because there will be implications if universal credit is not able to guarantee that. We are not clear about the interaction between the universal credit housing cost proposals and the DCLG's future rents policies. I will explore those a little further.

I turn first to the uprating of private rentals with the CPI. At the moment we know that rent levels in the private sector are adjusted according to local market variations in each broad market rental area. The level at which help is available will be restricted from the 50th percentile to the 30th percentile. That will kick in next week. Not including the removal of the so-called shopping incentive within the local housing allowance, which the outgoing Labour Government had announced an intention to remove, according to my reading of the impact assessment 640,000 households will lose between £7 and £130 a week under universal credit. That initial framework will move forward, but it raises fundamental questions such as to what extent the Government have considered the interaction between housing liabilities and how much money they intend to leave people to live on.

This morning, we had an aspirational debate about minimum income guarantees, but all Governments have within the benefit system an expectation that people should not have to survive on less than a certain minimum level, and rightly so. We need to know a little more about the extent to which reductions rolling forward from what the Government have already said about housing costs will interact with the requirement that families have a minimum level available on which to live.

As the proposed uprating with the consumer prices index kicks in, we also do not know in the medium term whether the Government have a clear expectation of where those who are expected to move to cheaper accommodation will move, and what the relationship is between that movement to cheaper accommodation and the labour market. Nor do we know how the Government view the reduced and reducing sector that will be available as a result of the measures being put into place and the CPI uprating. How do they plan to fit people currently receiving local housing allowance at the 50th percentile and below into the much smaller pool of properties available?

Kate Green: Does my hon. Friend agree that another thing that we do not know is the impact on wider public services if families are forced to relocate? In some outer London boroughs that are receiving people moving from higher-cost areas, the strain on child protection services is already being felt.

Ms Buck: My hon. Friend is right. That was one reason why we voted against the reduction from the 50th to the 30th percentile in the changes that prefigure

and roll forward into universal credit. The Social Security Advisory Committee recommended to the Government that the changes should not go ahead and said that the cuts rolling forward into universal credit, as we now know, are high risk and will increase child poverty and undermine social cohesion, while being completely out of step, SSAC said, with the Government's objective to make work pay.

Research by the university of Cambridge is extremely helpful to our understanding the medium to longer-term implications of the relationship between housing costs in the private sector and universal credit. It states that the changes set in place and that will be carried forward "immediately reduce the incomes of households claiming a means-tested benefit and who are thus by definition already at or near minimum income standards. We find that the average reduction of claimants' incomes after rents are paid will be approximately 7%...that between 42,000 and 84,000 additional households will be left with less than £100 a week, the lowest income level guaranteed by current welfare arrangements. Those so affected include low paid workers and retired people as well as the disabled and unemployed. The households who will be moved into severe poverty contain between 27,000 and 54,000 dependent children."

The university also states that

"Using the simulation and data from past studies of landlord tenant behaviour, we estimate that between 136,000 and 269,000 households will find their rent payments unmanageable as a result of the measures, and project that half of those will be unable to sustain their tenancy".

2.15 pm

Harriett Baldwin: Can the hon. Lady clarify to what particular point in time that Cambridge study refers? My understanding is that it is some time in the 2020s, which assumes a long-run compounding of the effects.

Ms Buck: I am not absolutely sure that what I am discussing assumes that. The university of Cambridge has certainly done research for Shelter that involves the longer-term implications of the CPI uprating on top of the measures that have already been introduced and the large extent to which the areas of the country available to people on local housing allowance will shrink. As the hon. Lady says, some of that research is carried forward to 2020, although the level of accommodation is starting to shrink.

We accept that in the short term, uprating by the CPI is acceptable. What I seek to establish in discussing the implications as we currently understand them and the projections is what the Government think are the longer-term implications of using CPI and whether they intend to build it into universal credit in the longer term.

Ian Swales (Redcar) (LD): The hon. Lady certainly knows a lot more about the subject than I do. To what extent has landlord behaviour been factored into the studies that she mentioned, particularly in areas of the country such as my constituency, where many rents are effectively fixed according to housing benefit levels rather than the other way around?

Ms Buck: That is an extremely interesting point. I was just about to come to it. It is absolutely true that what happens will vary enormously in different parts of the country, and the Government's own impact assessment makes it absolutely clear that although everybody loses—

[Ms Buck]

virtually everybody, anyway—not everybody in every part of the country will lose to the extent that they will have to move home. Indeed, it is entirely possible that in some cases, landlords will respond to the changes. The difficulty—we have rehearsed this; it matters, and it will roll forward into universal credit—is that although in some areas of the country, costs are already relatively low and a large part of the total private rental market is driven by housing benefit, or will be driven by housing costs under universal credit, that is not the case in other parts. It is in those parts that there is potential for serious impacts.

Harriett Baldwin: Does the hon. Lady recall from her statistics lessons at school that there is a difference between the 50th percentile and the average, as well as a difference between the 30th percentile and 30% of a distribution? I do not think that her earlier point about the study picked up on that difference.

Ms Buck: The main point in terms of this element is that we know that the Government have shifted, or are introducing measures to cut, eligibility from the 50th to the 30th percentile. That makes a difference. We also know that the Government plan to go forward in the medium term and—this is what I seek to ask the Minister about—in the longer term by uprating based on CPI. The availability of accommodation is already ratcheting down due to measures taken, and there is potential for a further ratcheting down that, although it might not be particularly additionally damaging in the short to medium term, could be devastating unless we have a clear steer on what will happen in the longer term, as the university of Cambridge research pointed out.

Sarah Newton: The hon. Lady is painting a picture in which nothing else in the housing market changes. Is she aware of changes in the Localism Bill, such as the self-financing of council housing? All parties have worked on that together for some time. It could enable more council housing to be built, for example, or community land trusts to be developed. The Government are taking a range of measures to address the dreadful legacy that we have inherited. Not enough house building has gone on, especially affordable housing for people on low incomes.

Ms Buck: I will turn in a moment or two to housing costs and the social rented sector, and I will address precisely that point. The hon. Lady should bear with me, because I fear there is a sting in the tail of her hope. Members may remember Monty Python's chocolate box and its spring surprise—if someone put the chocolate in their mouth, springs came out and plunged through both cheeks.

I wish to concentrate for a moment longer on the private rental sector, which is growing rapidly because of the interaction between the private rental market and the housing market. The housing market is largely unaffordable at the moment, so more people are in the private rental market and there is more competition for private rental accommodation. Given that a number of people who are on housing allowance and who will be covered by the housing costs element of universal credit

are in competition with other private renters, there are real risks, and I should like the Minister to respond to them.

Kate Green: Does my hon. Friend not agree that another distorting factor in the market—this is probably a consequence of recession and pressure on family budgets—is that the landlords of those people who are moving into privately rented accommodation are unable to offer any flexibility in their rents, as Government Members have suggested, because they, too, are locked into buy-to-let mortgage arrangements whereby they must cover an interest cost or their lender will repossess the property? It is therefore impossible for those landlords to reduce the rent.

Ms Buck: That is absolutely right, and it leads me nicely to the issue of landlords. It is absolutely true—I fear that it will remain so, to some extent, whatever system we have—that some landlords will take advantage of the system. Of course they will, and that is wrong. Some landlords will set their rents at the LHA. Some small anecdotal evidence in the two-year review of LHA shows that that is partly true, but it is not true everywhere and real risks attach to that in such areas.

The issue depends on the share of the total private rental market accounted for by those people who need assistance from the Government to pay their housing costs. I do not have the figures to hand, but the constituency of the hon. Member for Redcar may well be one in which housing benefit and, in future, the housing costs element of universal credit will account for a large proportion of the market. In Blackpool, the figure is, I think, about 80%, but if we drift back into large parts of the south-east and the south-west—I am prepared to be contradicted on that—and certainly London, we will see that the share accounted for by people who need assistance with their housing costs is very small. However, although the share is smaller, the amounts involved are much greater. The large private rental markets in much of London account for 10%, 12% or 15%, according to the different broad market rental areas, so the leverage available to the state to bring those rents down is vastly diminished. The problem is that the amounts involved are so much greater.

If the housing costs element of universal credit could bring down the cover given in the Blackpools or Redcars of this world, that would be fine and welcome. If we can save money in that way, that is fine. The amounts involved, however, are small and relatively little money will be saved. If we apply that to whole swathes of the country and look forward to 2013 and beyond, we see that the real risk and implications of the provision are not that it will save the money that the Government intend it to, but that it will end up costing money.

We know from the market survey of the Residential Landlords Association that one of the problems—I hope that the Minister will respond to this if we do not get it right in future—is that landlords have no obligation to be in the market at all. No law says that any landlord must make accommodation available for people on low incomes. If they do not, someone else must deal with the problem. What we are seeing is that the number of landlords not willing to let to people receiving financial assistance from the Government is already down by 16%.

George Hollingbery: We received evidence last week I think that the direct payment element was extremely important. Does the hon. Lady have any estimates about how much of the increase in the problem was down to the removal of direct payments?

Ms Buck: I do not know, but I do not think that anyone knows. We do know that, if the survey of landlords is being taken and landlords are conscious of the fact that the Government are prepared for greater flexibility on the private element at least with direct payments, it has not yet had a huge impact. The measure will have an impact, of course, which I welcome. It will ensure that some accommodation is available that might not have been available beforehand, but there is no sign yet of its having such an impact, partly because, even with a direct payment, the amount set by the state and the actual costs as we look forward are well below—now very well below—market levels. Therefore, in a market with competition for the private rented sector, that property is simply not available to people.

Charlie Elphicke: It is fascinating to listen to the hon. Lady, because she is so incredibly knowledgeable about the subject. She talked about the 30th percentile. Is her position that the change to the 30th percentile is flat wrong? Is she actively opposing it because she thinks that the change should not be made?

Ms Buck: The Opposition voted against the reduction to the 30th percentile. Had there been interim or other measure to control some of the problems that exist in the market—and there are some—there would have been room for negotiation. However, to move from the 50th to the 30th percentile, to take away benefit to varying degrees from nearly 750,000 households and to leave all the risks to be dealt with is unacceptable. There are too many risks associated.

Chris Grayling: On a point of order, Mr Weir. I apologise to the Committee for interrupting, but I seek clarification from the Chair to establish how I should best respond to the hon. Lady's comments. You know that her broad-ranging remarks address a number of the issues that will also be dealt with under clause 68. Would you prefer us to take the broader housing issues in this afternoon's discussion and not to debate the other clause subsequently, or would it be more appropriate for me to confine my remarks to the tight issues in this clause, thus helping to keep today's remarks by all Members short?

The Chair: Clearly, I prefer to keep the debate to the amendments before us this afternoon. As I have indicated already, the debate has wandered wide of them and I would like to bring it back as much as possible to the amendments, although I appreciate that there are interlinked issues around them. However, I propose to have a debate on clause 68 when it is reached—if it is reached, at the rate we are going.

Ms Buck: Mr Weir, my understanding is that clause 68 will allow us to discuss some of the transitional arrangements to be made before universal credit is introduced. We are covering some of the principles, which we will not need to rehearse under clause 68, but those measures, although transitional—as we understand

it, and unless the Minister tells us otherwise—will feed into the baseline for the treatment of housing costs in universal credit. It is therefore critical for us to test and explore how the Government intend to deal with actual housing costs in the private and social rented sectors as we proceed.

Charlie Elphicke: I thank the hon. Lady for giving away again; she has been incredibly generous.

As an expert in the area, as the hon. Lady undoubtedly is, can she explain what I am struggling with? Why did housing benefit go up from £10.7 billion in 2005-06 to £15.7 billion in 2010-11? That is a £5 billion increase in five years. What has driven that massive rise?

Ms Buck: I am not sure whether the hon. Gentleman was here when we discussed some of those points. The Chair was anxious for us not to spend more time discussing past housing benefit issues under previous amendments, which to some extent we did. There are answers, but we have discussed them before.

Kate Green: As hon. Members have noted, my hon. Friend is an expert in the field, and it is a pleasure to listen to her. As she said, we are uncomfortable, and we voted against the Government's proposals, which are now in legislation, to reduce the local housing allowance rate from the 50th to the 30th percentile. Does she agree that, although we accept that as the limitation with which we are now living, it is important that the Government guarantee that 30% of the private rental market will be available to universal credit claimants? Having set the percentile so low, it is not clear that even the 30% mark will be reached.

2.30 pm

Ms Buck: That is right. I asked the Minister to respond to that point earlier. We are where we are, but we have an indication of the future treatment of housing costs. They will be uprated according to CPI, and we know that that tends to be significantly behind actual rent changes. Therefore, it is important that we understand how he expects housing cost to be treated.

We need to ensure that properties are available across the country at a reasonable spread to prevent homelessness, allow people to access local labour markets and allow people in work to claim housing cost allowance and not find that there is such a shortfall that they cannot continue in their homes. The Minister is right: the central thrust of universal credit is absolutely right in that we want people to take the jobs available. That means that they have to be able to live within a manageable and affordable distance of the jobs, otherwise, transport costs and distance will mean that the laudable aims of improving work incentives simply will not be achieved.

We know from the landlords survey that we already have a problem, and a projected further problem in that accommodation will not be made available to people receiving assistance with their housing costs from the state, due to the increasing risk of a shortfall. There is competition in the private rented sector from other sources, and landlords are under no obligation to provide accommodation, as we know. They may do so in areas where they are a large player in the market, but not necessarily in areas where they are not.

[Ms Buck]

On the longer-term issue of uprating in respect of private rental costs, Ministers have made it clear that they do not expect the application of CPI to be a long-term measure. However, we do not know for certain. The Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb), said that if CPI is used

“for decades, it of course has the sorts of effects that”
we can see

“in the Shelter research...CPI is not for ever. We have said that CPI...will be introduced in 2013, and will be reviewed at the end of the comprehensive spending review period in 2014-15.”—[*Official Report, Westminster Hall*, 10 March 2011; Vol. 524, c. 324WH.]

That is after the introduction of universal credit. Lord Freud said that CPI is effectively introduced for the next couple of years, but the intention is that it will exert downward pressure in the medium term, but not necessarily in the long term.

Will the Minister give a very clear indication of the long term for universal credit? Given the overlapping prefiguring measures set in place, how will the availability of private rented accommodation at a reasonable level across the country be maintained? What is the future of broad market rental areas, which the CPI uprating effectively abolishes in any meaningful sense, and the rent officer service, which will not be needed in the transition period, but, as we understand from other ministerial comments, might be required at a later stage?

On the amendments, for the first time the relationship between the housing support available and actual housing costs in the social rented sector will change. Until now, there has always been a reflection of actual rents in the social rented sector and, very importantly, they have of course been adjusted for income. That has been the case because social rents are controlled and there is no market within the social rented sector. Allocations are made on the basis of need, even within the choice-based element.

We also know from the White Paper, “21st Century Welfare”, that that point was accepted last summer when we were first thinking about the structure of our bookcase, because the White Paper said that the housing component would build on the support that is provided by the current housing benefit system, which is based on actual rents. However, changes that are being introduced and—unless we hear otherwise—being rolled forward into the universal credit are telling us something fundamentally different.

For example, we know that the intention, for the first time, is to reduce the amount of support that is available for tenants in the social rented sector according to the size of their household. We know from the impact assessment that that will apply a benefit restriction to 670,000 households, a figure that will rise over time. We see that rise projected forward into the universal credit figures. I do not know the exact figure—I think it is about 760,000.

Charlie Elphicke: Does the hon. Lady not accept that there was an increase in overcrowded families from 1 million to 1.6 million in the last 10 years and that action is needed to deal with the part of the private rented sector that is operated by housing associations, to ensure that there is a proper allocation of space based on need?

Ms Buck: I totally agree with that. Where it is possible to take measures that tackle under-occupation, help us to deal with overcrowding and save money, that is an absolutely good thing and I am entirely in favour of it. But I am not sure, which is why I am seeking clarification from the Minister, that that will be anything like the actual outcome of what he has proposed.

Kate Green: I wonder whether my hon. Friend was as struck as I was by the evidence that we received last week from Mr David Orr of the National Housing Federation that, even if we were to force people out of under-occupied social housing, the social market could not provide alternative accommodation of the right size in the numbers that would be needed.

Ms Buck: I thank my hon. Friend for that intervention. I will return to that point, if I may, because it is very important.

As we roll forward into the universal credit, we know that the Government intend to restrict the entitlement for actual housing costs in the social rented sector for 670,000 households, a figure that will rise over the early lifetime of the universal credit, including an impact on 440,000 disabled people and on 160,000 lone parents.

The question is this—can the objectives of the universal credit be met? If we look at the impact assessment of the universal credit that was published by the Government, it says that one of the stated policy objectives of the universal credit is to

“encourage greater mobility within the social rented sector”.

That is absolutely marvellous—I could not agree more. I have always been an advocate of doing that. The impact assessment says that another objective of the universal credit is to

“improve work-incentives for working-age claimants.”

That is absolutely right, although we do not know—forgive me if I am wrong, but I do not think that the impact assessment tells us—whether any of those people are currently in work. Perhaps the Minister could clarify matters, because I do not know the answer to that point. I do not know whether any of those people are receiving any housing support at the moment but are also working.

The Government also want to save money, but the impact assessment says:

“If a significant number of claimants chose to move address in the social rented sector”—

that is, if they do what they are being required to do—
“this could have an impact on these direct savings.”

In other words, if the Government achieve their objective of increasing mobility, that will cut the amount of money that is being saved. The impact assessment goes on to say:

“if 50% to 85% of affected claimants choose to remain in their existing accommodation, this would reduce the direct savings achieved by the deduction to somewhere in the range, £235m to £400m.”

There is a problem here and I would like the Minister to help us to understand it. The impact assessment appears to be saying two things. It appears to be saying that if the claimants move address the savings will not be made, but the next sentence says that if claimants remain in their existing homes the savings will not be

made. If we add those two together we would probably get to 100% and there would be no savings, but certainly there is a fundamental contradiction in the impact assessment, because it appears to argue both ways.

I suspect that the Government's proposed savings in the universal credit will be reduced the more under-occupation is tackled. It will cost more money when tenants downsize into newer, smaller housing association properties, because the rents are higher. The impact assessment explicitly states that moving into the private rented sector is an option for people to downsize. In my understanding of social and market rents across the country, invariably market rents are higher, so such moves will end up costing more. I do not understand, therefore, how the universal credit can build on the proposals rolling forward or how the Government expect the policy to work. All the objectives are in conflict with each other.

The equality impact assessment goes on to set out what it sweetly describes as non-monetised costs. They do not seem terribly non-monetised, however, because there will be costs to social landlords, local authorities and registered social landlords. There will be additional costs of rent collection and action taken against tenants in arrears, the cost of enabling tenants to be more mobile, additional costs of appeals, extra demands on discretionary housing payments, removal costs for tenants, and more. All those taken together make me wonder how the policy will work. The numbers of people who will be affected are projected to rise, so if the measure does not work in the shorter term, I do not see how the Government will meet housing costs in the social rented sector at all.

None of that has any relationship to the duties and costs beyond 2013 on local authorities when they have to pick up the fallout from people whose housing costs are not covered. The Localism Bill, to which we have referred, makes some important changes to the treatment of homelessness. Its equalities impact assessment on discharging the main homelessness duty states clearly:

"A strong homelessness safety net will remain in place, ensuring that local housing authorities are still required to secure suitable accommodation for all applicants who are eligible for assistance, homeless through no fault of their own and who fall within a priority need group... Local authorities will still be able to end the homelessness duty"

in the social rented sector

"where...there is no accommodation available in the private rented sector".

If no accommodation is available for such people in the private rented sector, or if their property is unaffordable because a benefit cut has been imposed on them—which they cannot avoid—it seems crystal clear that there will be a duty on local authorities to provide accommodation for them. If such households become homeless, the local authority has a homelessness obligation, so it will not save money. The measure will not work; it will simply transfer an under-occupation problem to a homelessness problem. I do not understand the Government's intention. As the numbers increase over time, how will the universal credit housing cost element deal with that?

My hon. Friend the Member for Stretford and Urmston has asked about the means with which we might deal with such a problem. The National Housing Federation said that it would not be able to meet the needs of

people who sought more appropriately-sized accommodation in the short term. We know that only 181,000 transfers took place into all social rented accommodation last year, and that the Government expect 670,000 households to be moved by 2013 and onwards. We simply do not have the capacity—especially in smaller accommodation—to meet the needs of such people.

Charlie Elphicke: I am puzzled how it can be said that there is an amazing surplus of three-bedroom properties in the private housing association sector, and yet a massive number—1.6 million—of families live in overcrowded circumstances. How does the hon. Lady explain that?

Ms Buck: I was about to move on to that. The Department for Communities and Local Government is saying that there is a surplus in three-bedroom accommodation but, in a way, that is not the point. The point is that the relationship between the universal credit, as prefabricated, and actual rents for social accommodation requires people to downsize. The problem that we are facing over the coming years is the availability of smaller units of accommodation, not larger. However, an even bigger problem is the vast geographical mismatch that we will face in the coming years. If we look at the impact assessment and where the under-occupation occurs, there is an issue in the north-west.

2.45 pm

According to the Government's impact assessment, 120,000 claimants will be affected by the proposal. They will lose an average of £12 a week. Overcrowding is almost entirely a London problem. If we look at the match, 120,000 people have been categorised as needing to downsize in the social rented sector, so that they can meet the Government's requirements to match their housing costs with the size of their accommodation.

Chris Grayling: On a point of order, Mr Weir. The hon. Lady is making an extended speech. It is important for me to state that overcrowding and over-occupation are clearly matters to be discussed in relation to clause 68. I seek your guidance, Mr Weir, on whether you would like me to respond on that now or whether I should wait until the appropriate time in the debate.

The Chair: It is up to the Minister how he responds. This group of amendments covers a wide range of issues. The debate has ranged over the whole issue of housing costs, so I am minded not to have a stand part debate at the end. However, it is up to the Minister how he responds. The hon. Lady is in order in terms of her amendments and the issues that she has discussed so far.

Ms Buck: I am grateful, Mr Weir. I understand the Minister's point because there are transitional arrangements under clause 68 that we may not need to rehearse in the same detail. However, as I understand the matter, the Minister is making a flat contradiction. The expectation is that, as we move towards the universal credit, there will be plans to more closely match the payment for housing costs in the social rented sector with things other than actual rents. The figures in the impact assessment

[Ms Buck]

and the fact that those figures give us something to go on means it is entirely reasonable that we test how the Government think this will move forward.

Sarah Newton: The hon. Lady is describing in extremely good detail the current situation and imagining that nothing else will change. We are talking about the medium term. Thank goodness we have abolished the regional spatial strategy. All over the country, right now local authorities are developing housing strategies that will respond to local needs. That is something they could not do when there were restrictions imposed by the regional spatial strategy. In those housing strategies, local authorities will be tackling the issue of a lack of planning for housing for an ageing population, which fundamentally underlines the fact that there is not enough accommodation for older people and there is an issue with under-occupancy. Within the time scale she mentions for addressing the problems she is envisaging, a whole series of measures will be introduced locally that will start to address the lack of genuinely affordable housing that meets the needs of our populations in their communities all around the country.

Ms Buck: I know, Mr Weir, that were I to stray into regional planning strategies and building new homes for older people you would rule me out of order. I am not sure—the Minister might contradict me on this—that even the Government's most ambitious plans will involve constructing 670,000 new homes to enable some of the matching to take place that the measure requires. The hon. Lady raised an important question earlier about the Localism Bill and social rents. The problem is that the cuts in grant to housing associations has required—this is the stated expectation of the Minister for Housing—that new housing developments will be at 80% of market rents. If social housing is at 80% of market rents, it is hard to see how that squares with the Government's not unreasonable intention of bearing down on housing benefit expenditure. Indeed, there is a wide range of assessments that has been made of this. The House of Commons Library did some modelling on this for me which indicated that the Minister and the DWP would be liable for £200 million more in housing benefit expenditure because of these market rents. The Chartered Institute of Housing has come up, in the medium to longer term, with a much higher figure even than that.

George Hollingbery: I have a slightly different understanding of that clause. I may be wrong and I am delighted to be corrected, but I thought it was up to 80%, not 80%.

Ms Buck: It is absolutely 80%. I do not have the quotation in front of me and I will be perfectly prepared to apologise to the Committee if I am wrong, but my understanding is that the Minister said that there is an expectation that it will be 80%. Indeed, if it falls below 80%, of course—and it may—not only does the point still remain at 60%, but the housing associations that are relying on this income stream in order to defend their development programme will not be able to develop the homes. It is impossible to have it both ways. Either rents have to be set at 80% of market values, which

immediately impacts on housing costs in the universal credit, or there will not be a sufficient number of new homes built. Those two things are in contradiction.

Charlie Elphicke: Is it not the better case that housing associations do very well as landlords, but the evidence shows that very often they do very badly in developments? Maybe they should leave developments to developers, be good landlords and not jack up the rents.

Ms Buck: That is, of course, a possibility and risks leading me to stray well outside the ambit of this debate, but I think it is true to say—housing associations often partner property developers in constructing properties anyway—that the Government are expecting housing associations to be a partner in delivering this accommodation. Even if it was a private developer, the issue would still remain about how the private developer can get an income stream through housing benefit, and rolling forward into housing credit, that would enable them to fund this new development.

We know that, whether it is 60% or 80%, the relationship between market costs and much higher rents in the social rented sector is the precondition of additional social house building, and that has implications for universal credit.

George Hollingbery: I am not entirely sure that I recognise the picture that the hon. Lady has just painted. There is clearly a huge amount of equity in social housing stock—indeed, Mrs Elphicke wrote a very substantial journal on this very issue. There is a huge amount of equity built into the social housing stock and there are other avenues for building social housing, not just through rental streams, but also through the equity out there. We have used the money in our social housing stock to borrow more and build more.

Ms Buck: I know, Mr Weir, that you would immediately get on your feet and roar me out if I start talking about ways in which social housing construction can be funded from different sources, so I am not going to. I am merely going to say that, as things stand—as the Localism Bill and the Government's housing policy, driven by the DCLG, stand—there are implications for housing costs rolling forward.

Jane Ellison (Battersea) (Con): We heard from witnesses last week, a number of whom were honest enough to say they did not believe that the legislation should be framed in such a way that no one should ever have to move—that they should live where they want to live. It would be really helpful for the Committee to understand if that is essentially the point from which the hon. Lady is starting.

Ms Buck: I completely support measures to encourage downsizing. I think it is an entirely good thing. Of course, what the Government are doing with this is concentrating exclusively on working-age households. I do not have the statistics, but I believe that a substantial element of voluntary downsizing takes place among pensioner households, which are the households that are most likely to be under-occupiers. The Government's policy, driven by the changes in the treatment of housing

costs, is to ensure that housing providers will have to concentrate, almost exclusively—and even then, they will not be able to—and move everybody who wants to move, in order to avoid the penalty that the Government are applying, which, incidentally, may then end up costing them more money. I have now completely lost the thread, because the point is much too complicated.

Jenny Willott (Cardiff Central) (LD): On a point of order, Mr Weir. Given that the debate seems to be straying far from the amendments, and given that you have indicated that you are contemplating curtailing the stand part debate—I had intended to speak very briefly, you will be glad to know, in that debate—would it be appropriate for me to consider speaking in this debate since we are speaking more broadly, or are we trying to keep this debate more clearly focused on the amendments?

The Chair: There are two further amendments to be considered, so the hon. Lady should decide which area she wishes to speak in. But given the length of the debate, I am minded not to have a stand part debate, so if she or any other members of the Committee wish to make a point, they should do so in this debate or they should speak to the two further amendments that are yet to come.

Sheila Gilmore: Since the point has been raised, would my hon. Friend not agree that if I remortgage my home to leverage the equity, I would end up paying more in mortgage interest payments in order to do so? It would be exactly the same for housing associations should they so decide and should they be allowed to by the banks, which may not be the case. But if they leverage their equity, as has been suggested, that will increase rents, which will increase housing benefit.

Ms Buck: My worry is that if tenants in future do what the Government are asking them to do, it is not likely that money will be saved. Indeed, the impact assessment appears to agree with me. I am entirely in favour of encouraging downsizing, but pensioner households that want to downsize will now probably not be able to do so voluntarily, because housing providers will be pushed into having no choice but to prioritise the downsizing needs of the 670,000 households, rising through the universal credit to 760,000, which will face a penalty for under-occupation. Is that really the Minister's intention? And we know from the impact assessment that an additional complication is that the larger share of under-occupation—the area in which the Government want to bear down on the actual housing costs in the social rented sector—is not where overcrowded households are, because they are primarily in London.

I do not think that it is the Government's intention to seek to move 120,000 households—on present estimates—away from the property where they are no longer allowed to have their actual costs and move them to London, and then take the overcrowded London households and move them to the north-west, even if the households were able to, because of the constraints that exist in their tenancies. My other big worry is that the Localism Bill and the homelessness legislation clearly indicate that if people are no longer able to maintain their home because they cannot afford it, they will have a potential application for homelessness, and if they make such an application, it will not save the Government any money.

That is a very real risk that goes to the heart of almost everything that the housing costs element, going forward to the universal credit, will be all about.

On mortgage interest relief there is a worrying lack of detail. All this will be introduced in regulations, but we know that a fundamental change is being proposed for how housing costs are treated. And we know, from the measures being put in place, that it is being prefigured by the changes already made in housing benefit in the private rented sector and in local housing allowance by the uprating for CPI, and by the changes being made in respect of the meeting of actual costs in the social rented sector. Does the Minister believe that it is fair? Is it his intention to impose through the universal credit a penalty that most people cannot avoid? Does he intend that if a household wishes to meet its obligations and expectations but is not able to do so, a penalty would apply? A penalty is being proposed here, which will hit people with disabilities—some 440,000 at the present estimate. In some cases £34 a week will be removed from their minimum allowable element of income. I do not know whether that is the Minister's intention. Does he think that it will save money?

As I have set out, if people move it will not save money. According to the impact assessment, we are not sure whether it will save any money even if they stay. Does the Minister accept that there is a real issue on what is, in principle, a laudable aim, which is predicated on a failure to understand all the areas of the housing market? That includes the fact that, as his own impact statement makes clear, the people in the north of England will be most affected. That will not meet any of his other objectives.

3 pm

Finally, has the Minister made an assessment of what someone would need to earn to avoid the penalty, if they follow the advice? We all agree that it will be much better if people can avoid the penalty by getting a job, although that is harder to do in some areas of the north where it will have the most severe impact. It seems to me that people will have to earn in the region of at least £5,000 just to be one penny better off after the penalty has been applied. It will be helpful to know if that is the Minister's intention.

Finally, on amendment 35 and the issue of mortgage interest, I have been feeling positive about the Government's position. It is absolutely right and desirable that we see a system that becomes closer to being tenure-neutral. If amendment 35 is agreed, we would have mortgage interest within the housing cost of the universal credit as mapped out under clause 11, which would see home owners, private tenants and social tenants subject to all the caveats outlined and being treated within a single, integrated system. That would be a good thing.

Charlie Elphicke: I thank the hon. Lady for giving way again. I have listened carefully to her argument. She has made an interesting and passionate case. May I ask her a question, if it is in order? The hon. Lady talks about housing benefit, and it was said:

“Housing Benefit will be reformed to ensure that we do not subsidise people to live in the private sector on rents that other ordinary working families could not afford.”

Does she stand by those words in the Labour party manifesto 2010?

Ms Buck: I do. We would all agree about two things. First, it would be better if we could bring down rents in the private rented sector. Secondly, we agree that there have been cases—Government Members have often spoken about some of the anecdotal cases that have been in the tabloid newspapers—that no one could justify. That is a function, in some cases, of an anomaly in a system that has generally not worked badly. If a fixed percentage of properties are allowed to be available in some broad market areas where there is a housing cost variation, there will occasionally be outliers. That has been true in central London. There will be people who will make use of it, just as there are landlords who will sometimes abuse the system.

In the March Budget 2010, we brought forward proposals that would have set out a mechanism taking out some of the most expensive properties in each broad market rental area and dealt with some of those anomalies. That is fine; I do not have any problem with that, as long as that can be done without perverse and unintended consequences, and without making people homeless. It is fair to say—it will continue to be fair to say—that there will be people for whom there is a statutory homelessness duty, who are placed in the private rented sector by both Conservative and Labour local authorities. That will continue to be the case. By and large those placements will be in the private rented sector, which is exactly what has happened in the past. The universal credit will have to deal with that in the future.

Local authorities with statutory homelessness duties will have to find somewhere to place and accommodate those households. The discretionary housing payment goes some way to help to do that, but not very far. I will give one example concerning a family of a mum and three children. The mother became psychotically ill; it was a terribly tragic case, and she was judged by the local authority as being unable to look after her children. As is usually the case, her ex-husband did not have housing duties owed to him in his own right. Therefore, the local authority provided assistance to secure private rented accommodation on an ex-council estate in my constituency. The rent is £600 a week. That is phenomenally expensive, but even on an ex-council estate, that is sometimes what rents cost. That was done in order for the ex-husband to be near his ex-wife and the children. We must find ways of accommodating these many often disturbing and difficult cases within the system. By and large, people who find themselves homeless often face multiple challenges. It is impossible to develop a fair and humane system that does not allow such cases to be incorporated.

Members of the Committee will be relieved to know that I am coming to the end of my remarks. I said I would be shorter than Proust, and I think I have been. The broader issue of integrating mortgage interest relief is absolutely right. Mortgage interest relief has been enormously valuable and important, and has helped to reduce the impact of repossessions. Is the Minister confident about the technical ability to track actual interest rates, obviously within a financial envelope? Will the IT allow that to happen with real-time information and without some of the overshoots and undershoots in interest payments that often occur? Is the Minister confident that the housing cost element will be flexible enough to cope if—heaven forbid—we see a sharp increase in interest rates over time? Will the financial

envelope of the housing costs in universal credit be able to do that without racking up difficult and unintended consequences for private and social tenants? Given that we will shortly be debating issues of direct payments, does the Minister expect mortgage interest assistance to continue being paid directly to lenders?

On that note, I feel I have covered some—although perhaps not all—of the important issues that need addressing. We must look at the transitional arrangements, but as we know, they prefigure an important matter concerning the treatment of housing costs. I want the Minister to commit to reviewing that policy and explain what its impact will be. It is important that he assures the Committee that actual housing costs will be properly treated so as to prevent unemployment leading to a catastrophe that, at its worst, becomes homelessness. I look forward to his response.

Jenny Willott: I intended to speak in the stand part debate but my comments fall under the remit of the debate that we have just had. I hope you will indulge me, Mr Weir, but my remarks will be significantly briefer. I wish to raise two main areas of concern about housing benefit. My points will not surprise anybody, least of all the Minister, because I have raised them in previous debates.

The first point concerns the allocation of the single room rate, and the second is under-occupancy. I will speak only about the single room rate because under-occupancy is better covered by clause 68, which we will discuss in future deliberations. I am particularly concerned about some groups due to the increase in the age limit for the single room rate from 25 to 35. That could affect people with children—non-resident parents. As we know, it is difficult for non-resident parents to maintain contact with their children, but all political parties and everybody across society wants to encourage that contact. If we want to see success from the measures set out in clauses 128 to 131, we must ensure that it is as easy as possible for parents to maintain contact with their children. Shared accommodation is not conducive to that. Having a single room is not conducive to having children come to stay and it is not conducive to helping parents build relationships with their children. I also think it is not very fair on the other tenants. My eight-month-old baby screamed for an hour and a half in the middle of the night last night and if I had been in shared accommodation the other tenants would have been distinctly unhappy about that. There are implications wider than for the individual.

The second group I am concerned about are those coming out of prison. Currently every year a small number of under-25s who are released from prison pose a public risk and so are not able to go into shared accommodation. As a result they end up effectively bed blocking in a bail hostel until they turn 25 and can access a larger amount of housing benefit. The average age for prisoners in the UK is 29, so a larger number of people will be caught in that position if the age is raised to 35. Potentially it could be a more significant problem for the hostels because if they end up having to stay until they are 35 it could be much more of an issue.

Kate Green: I am grateful to the hon. Lady for raising these issues. Does she agree that there is a third category that should concern us: women who are fleeing domestic

violence? They will be very wary about being in shared accommodation, particularly with young men if they have had a bad experience in the family home and have been forced to move. In addition to the two instances that the hon. Lady has raised, which I wholeheartedly support her on, would the Minister also give us some assurances in relation to women in that situation?

Jenny Willott: There are small groups of people who clearly will be affected and that is another group. Another one that I am concerned about is young homeless people and youngish homeless people if we are going up to 35. There is evidence from homelessness charities that putting someone who has been homeless in shared accommodation is usually unsuccessful. Very often the tenancy breaks down very quickly and that person ends up being homeless again. If we are trying to break the cycle of homelessness and to help people back into society, shared accommodation would probably not be appropriate for young people who are particularly vulnerable

Yvonne Fovargue: I would like to raise the case of young people leaving care where it is not appropriate to have a shared room rate. They quite often need their own accommodation and support. I had an example where I worked of a young woman who had been taken away from her parents due to sustained abuse from the father. She would have been extremely concerned if she thought that she had to move into shared accommodation where there was a male present whom she did not know, or even one she did know. There are also people leaving care or who are vulnerable because of abuse who would also suffer in such accommodation.

Jenny Willott: The hon. Lady is right, but my understanding is that young people who are leaving care are exempt from the current system of the shared room rate for precisely those reasons and broader reasons as well. I am sure the Minister will correct me if I am wrong, but my understanding is that the rules do not always apply to them because they are in a particular circumstance.

Harriett Baldwin: The hon. Lady raises an important point—that there are likely to be more fathers by the age of 35 than by the age of 25. But does she suggest that in that situation the state should subsidise both the mother's and the father's accommodation to have room for the children?

Jenny Willott: I do not suggest that there should be a room available in both properties for the child. That is not the case currently. Only the person who has custody is entitled to have bedrooms for the children. I would not dream of suggesting that that should change. We do not have enough accommodation to have lots of people with lots of spare rooms in the social housing stock to enable that to happen. But there is a significant difference between someone having a child to visit if they are in a one-bedroom property and if they have one bedroom in a shared property. A child can sleep in the bedroom and the parent can sleep on the sofa. Arrangements can be made. There is more space and more ability to build the relationship with the child than in a house with shared bathroom facilities, shared kitchen and shared living

space. It is much more restrictive and much more difficult to enable that parent to build the relationship with the child.

3.15 pm

Finally, there are differences across the UK. In London there is plenty of shared accommodation and most people under the age of 35 who are working live in shared accommodation, in my experience: it is the norm. That is not the case in other parts of the country. In Cardiff it is much more affordable for working people under 35 to have a one-bedroom property of their own. A lot of the shared accommodation is for students, whereas in London it is much more mixed.

In rural areas there is often little or no shared accommodation. Having a standard policy across the UK, therefore, will lead to far more problems for under-35s in some areas of the country than in other parts. I hope the Minister can take those points on board.

I sympathise with the aim of the policy—I understand what the Government are trying to achieve. However, could the Minister think again about the impact of these policies on particular groups as the Bill progresses? I will be interested to hear his comments later today.

Lilian Greenwood: I had intended to speak in the clause stand part debate, so I apologise if my comments do not neatly fit the amendments we are talking about. However, they do relate to clause 11, and in particular to the decision to move support for housing costs within universal credit. That is a change from the current situation, where housing benefit is administered by local authorities, and people are used to dealing with local offices in relation to their housing benefit claims. Given that this is delivered at district or unitary level, certainly in England and Wales, people are likely to be able to access offices local to their home.

I know from talking to my constituents that many housing benefit recipients value the help and support that is available from local housing benefit staff. The ability to meet someone face to face and have issues explained and queries answered is important, particularly when documents have to be inspected. People worry about trusting documents to the post. This local service may be particularly valued by vulnerable claimants, especially those with disabilities, those who struggle with literacy problems or those for whom English is not their first language.

My first question for the Minister is: how have the Government taken into account the needs of these claimants in designing the system for delivery of universal credit incorporating a housing support element? Does the Minister intend to ensure that a network of local offices will be available to assist in the delivery of universal credit? Could he say more about how that will operate?

My second question concerns what will happen to the staff who currently deliver those services. Is it anticipated that those staff currently employed by local authorities might transfer to the Department of Work and Pensions under TUPE regulations, or, indeed, to a private sector employer, or perhaps to a co-operative or social enterprise contracted to deliver universal credit? If so, would those transfer arrangements be written into the Bill? Obviously, the many local authority staff who

[Lilian Greenwood]

would be affected by this change would be anxious about the impact on their future employment terms and conditions.

Depending on the arrangements for set-up—whether there will be local offices where people would be able to find out about and apply for universal credit, or perhaps call centres in more remote locations—there may be redundancy costs associated with changing from delivery by local authorities to delivery by the Department of Work and Pensions. Could the Minister set out what discussions he has had with the Department of Communities and Local Government about the possible redundancy costs arising from that, and whether local authority funding might be adjusted to take account of those costs? If there have been discussions, can he explain how those potential redundancy costs have been factored into the estimated levels of efficiency savings delivered by the move to universal credit?

Some local authorities—I am sorry, I do not know off the top of my head the proportion of those affected—have already outsourced so-called back-office or administrative functions, so might have contracts with private sector organisations to deliver services that include housing benefit. Those contracts are often not just for housing benefit services, but are very likely for merged housing benefit, council tax and perhaps council tax benefits. They are often for long periods, and 10 or 15 years is not unheard of. What assumptions have the Government made about the cost to local authorities of trying to disaggregate delivery of housing benefit from other functions? In particular, what estimate has been made of the financial penalties that local authorities might face if they need to break or renegotiate existing contracts to deliver such services?

If we move away from claimants being able to access support from local offices to assist them in claiming universal credit, what implication will that have for the level of administrative errors? It seems to me that if people are trying to complete applications online, perhaps with telephone support, they are more likely to make errors or complete the forms incorrectly than if they were sitting down with local office staff who can help them to work through the process. I wondered how that would be taken into account in deciding how likely it was that people would make errors, and in the figures for the reduction in errors and fraud that are anticipated in the move to universal credit. That is quite specific, but I wanted to deal with it.

Sheila Gilmore: I want to address the amendments, starting with amendment 45. It is perhaps not surprising that housing organisations representing housing associations, and many of the groups that represent homelessness organisations have been concerned about the fundamental lack of detail in the Bill, and even the lack of clarity about what regulations will cover. That is in stark contrast to the way that social security legislation on this issue has been drawn in the past. That then gives rise to concern—

Chris Grayling: Will the hon. Lady confirm, and if she cannot, perhaps her right hon. Friend the Member for East Ham can, that the Bill contains fewer regulation-making powers than the last Bill introduced by the previous Administration, led by the party of which she was part?

Sheila Gilmore: I would not like to make the wrong comment. My point was that previous legislation on housing benefit contained much more clarity about what would be covered by housing benefit. What we have here is the roll-on from housing benefit to the housing component of universal credit.

Council and housing association tenancies are often loosely referred to as social tenancies, but I particularly dislike that phrase; they are low rent, affordable homes. The issue is whether the Government really intend to move away from the current situation of the actual rent being covered. The Minister said that that will be the case in the meantime, but no undertaken has been given as to the Government's future intentions. In that respect, social tenancies are different from those in the private rented sector.

Over the past 30 years at least, there has been a move to improve the security of tenure for tenants in such housing. When I became a councillor in 1988 and was involved in housing issues, I was surprised that there was no security of tenure for people in council housing. It was introduced at that time by a previous Conservative Government in acknowledgement that those were people's long-term homes.

I am concerned about the tenor of the discussion that is taking place both here, and on the Localism Bill, although fortunately for my constituents that Bill will not affect them. There is a fundamental change in approach to the homes that are provided, making them something into and out of which people can be shuffled. It is a move to remove security of tenure on the basis that people's financial position has improved and they perhaps do not need it any more—there will be no long-term secure tenancies.

George Hollingbery: Will the hon. Lady confirm my understanding of the Localism Bill, which is that those measures will be brought in for tenants who do not yet exist, and that the current rights for existing tenants will remain?

Sheila Gilmore: That does not particularly change the argument. It is a bit like the argument about transitional support making it all right. A considerable number of people want to take up tenancies, and there are difficulties and shortages. I accept that my city will not be affected by the measures, but there alone we have between 2,500 and 3,000 new tenancies created in the sector every year. In 2009, 900 new affordable homes were built, with 900 people entering into those forms of tenancies, so a substantial number of people would be affected. They are people's homes, and people have been encouraged to consider that they have security of tenure.

Charlie Elphicke: Does the hon. Lady not share my regret that the right hon. Member for Don Valley (Caroline Flint) was unable to introduce these reforms before now?

Sheila Gilmore: I do not share the hon. Gentleman's regret. It is particularly important that people on extremely low incomes—that is why so many of them receive housing benefit—at least have the security of their home.

Turning briefly to the issue of under-occupation, as it has been raised extensively already, the suggestion here is that when people no longer need a house of the size they were allocated—due to a whole range of circumstances, including separation, divorce and children leaving home—they should be required by a financial lever to move. I accept that there is overcrowding in some places, and having been involved in housing in Edinburgh I know that it can be frustrating that on the one hand there are people living in larger houses—although in Edinburgh not many family-sized houses are under-occupied—and on the other there are people who would like to move.

A lot of the time, the practical problem is that the mix and the match are not quite right. Many properties of the smaller variety that turn over in Edinburgh are high-rise flats, and many people who have been tenants for some considerable time and whose children have now left home, will not want to rush to move from their house or flat, which they might have achieved only after several years of waiting, to what they would consider significantly inferior housing, and perhaps of a type they do not wish to go back to, having been in that form of housing before. We would often say, “If only we could find the person here and the person there who would fit together for the exchange.” There are mutual exchange schemes, but they achieve only a certain amount because getting that mix is not that easy.

There are other issues about under-occupation. A couple with a two-bedroom house are theoretically under-occupying and we are suggesting that they move to a one-bedroom place. I wonder how many of us would be happy to do that. I am not sure why we take such a considerably different view of people who are in council housing association accommodation. Those people may become more ill, they may require separate bedrooms—quite a common phenomenon—they may have grandchildren who come to stay. Only today I read a newspaper article about giving grandparents access rights, but perhaps they would have nowhere for them to come and stay.

3.30 pm

Yvonne Fovargue: Does my hon. Friend agree that it seems a contradiction that new housing association properties are built on a standard called homes for life, so that people can stay in them and have stair lifts and so on installed, but that they may be encouraged to move from those homes?

Sheila Gilmore: My hon. Friend makes a good point which had not occurred to me. Indeed, I have been part of many of those discussions about securing the kind of home that would enable people, if they become progressively disabled, to stay for longer. I do not think a financial lever is the right or effective way to solve a problem, which undoubtedly is there, if people wish to move on a voluntary basis. As a councillor, I had older constituents who did want to move out of a three-bedroom home, but they wanted to remain in the area where they had always lived and where they had friends, a social life and family near by. Finding that match for them was often extremely difficult. It was not that they did not want to move—they were finding a larger home difficult. Whether they would want to move to a one-bedroom home was a different issue.

If we want to address the issues of overcrowding, we should address the issues of overcrowding. If we want to address the issue of there not being sufficient homes, we should address that. To apply a blunt financial lever is not the right thing to do. It is significant that this is a savings measure. If all these people were able to move into these smaller homes, there would be no savings. If it is about solving the problem of under-occupation—if that is considered such a major problem that it has to be resolved quickly—and if that lever gets people to move, although I am not convinced that it will, there will be no savings. If savings are achieved, it will be as a result of people staying where they are. In other words, it is a financial penalty for the people affected. They will simply have to take a reduction in their income. We should be clear what we are about.

Social tenancies are not only intended to be secure homes for life—and many people want them to be that—but they are funded by the state. I was struck by the evidence from David Orr last week, when he said,

“social housing...exists because of market failure. It does not exist as a market. As a response to market failure, Government invest in...social housing and in consequence they set the rent...if Government have already set the rent, the system by which people are supported to pay that rent should cover that rent.”—[*Official Report, Welfare Reform Public Bill Committee*, 24 March 2011; c. 136, Q269.]

If it is the Government’s view that they wish to stick to the current position, in which people in social housing—council or housing association—get their housing component of universal credit paid at the actual rent, perhaps we should say so. Perhaps that should be made more explicit through regulations, so there is not this uncertainty that that might change at some unspecified time in the future.

What would be the purpose of making that change? It is true that rents vary across the country, even in the social sector they vary in adjoining authorities. I know that between Edinburgh and Midlothian there was a £20 a week difference in council rents. There are historical reasons for that, to do with pressure on accommodation and the kind of building. In Edinburgh in the 1960s and 1970s the council built a huge amount of quite poor quality block density housing. It was not a Labour council at that time. Midlothian, which was a Labour council, has very low rents. It did not have the population pressure, which is why it did not incur the borrowing that is needed to build new homes. The higher rents in Edinburgh reflect the historical borrowing that built those houses. Regrettably, many of those houses are not very good and are being replaced before much older houses.

Rents are different. Is the suggestion that they should in some way be standardised? Rather than pay the actual rent, should there be some kind of averaging of rent, even in the social rented sector? If that is the case, it will mean that in some areas people will get less money. The reason they will get less money is not to do with their choice of home within something as wide as a council area. Rents are high in one place and much lower in another for historical reasons, which is not their choice or their fault; it is a fact.

We had some discussion earlier about why housing benefit has increased. Over the years in housing, there has been a move away from subsidising affordable housing—the bricks and mortar subsidy—towards subsidising the person. Indeed there was a great deal of

[Sheila Gilmore]

debate about that in the 1980s. At the time, the Government of the day said that it was inefficient to subsidise the bricks and mortar, because sometimes it would mean that people who did not need subsidy were being subsidised and they had Jaguars parked outside. The tabloid horror of the day was people who had two Jaguars, and four children who were all earning, living in cheap council housing. There has been a shift over a considerable period of time from subsidy of bricks and mortar to subsidy of people. The Government of the day felt that that was the right thing to do, and they said that housing benefit would “take the strain”. That has led to rents rising.

In the housing association sector, the percentage of the cost of a new home that is met by a grant has fallen. It is actually considerably lower in England than it is in Scotland. One consequence is that housing association rents are generally considerably higher in England than they are in most parts of Scotland. There is a direct relationship between the level of rent and the level of grant. Over a considerable number of years, therefore, we have seen higher rents across the country in housing association and council properties and that has increased the level of housing benefit being paid out. A substantial amount of housing benefit is not in the private rented sector, which we expend a lot of energy in trying to understand and describe. A considerable amount of housing benefit is paid to people across a whole range of ages in the social rented sector.

If it is the Government’s intention to make some change in the future, it would be fairer to make that absolutely clear. If it is not their intention, it does not seem unreasonable that regulations should make it clear that rents on social tenancies would be met at the level that they are actually charged.

In the private rented sector, people already pay considerable shortfalls on rent. It has been suggested that when the local housing allowance was set at the 50th percentile, it was too high and that people could easily find cheaper housing. Even at that level, half of tenants with LHA are paying the shortfall themselves from their other income. It is already difficult, even at the 50% level, for people to find accommodation to rent and they have taken on that extra burden. It is a worry, and we do not know yet what will happen. I have asked my council colleagues in Edinburgh to keep an eye on what happens from April when new tenants start looking for housing in the private rented sector. If people are paying a shortfall at the higher level, why assume that it will be easy for them to find cheaper accommodation? Will they not simply pay an even bigger shortfall in order to get any accommodation at all?

Another reason why housing benefit has increased substantially in some areas is the recession. The figures show a marked spike upwards, particularly in the private rented sector, probably because many people in the social rented sector are already on housing benefit because they are over retirement age, unemployed, or employed on low income. The sector might not have had much more room to expand, whereas there has been a substantial increase in the private rented sector.

I was puzzled by that. All the research on the private rented sector published until 2007—major research was done for the Scottish and English Governments, including

the Rugg report, by Julie Rugg from York university—said that only about 20% of the private rented sector was funded through housing benefit. In the years since then, during the recession, that figure has increased substantially, and now appears to stand at 40%. Whether that will be sustained is another matter.

Presumably, some of those people have had to claim housing benefit because they have either become unemployed or been given shorter hours during the course of a tenancy. That does not necessarily mean that their landlords are housing benefit landlords who want and attract people on housing benefit; it might be the contrary. They might have little choice while they are tied into a lease and decide that they would rather have housing benefit payments than no payments. We will have to see whether they continue to let to those people. I suspect that the proportion will drop again.

In Edinburgh, where there are students, young professionals and many other people in the private rented sector, landlords are in no way dependent on housing benefit claimants for their market. I do not see that they are substantially likely to reduce rents because otherwise they will get nobody; they are much more likely, when people come to the natural end of their lease, to move on and let to somebody else who can pay those rents.

I was slightly surprised when the hon. Member for Dover suggested that housing associations should no longer develop and that private developers should do so instead. Lots of private developers have developed in my city in the past 10 years. Many of them have gone into the private letting market, for various reasons. The rents, however, are extremely high. That is not a solution for people on low incomes, unless they can get their rent covered, and most of the rents in Edinburgh would be above even pre-April LHA levels. Houses there are being developed, and people are buying them as an investment, but the rents are not affordable for people who would otherwise be looking for houses developed by housing associations.

Charlie Elphicke: Do I take it, then, that the hon. Lady prefers the model pursued over the past 10 years, in which the number of rented social housing units fell from 4.25 million to 4 million?

Sheila Gilmore: Where does one start? I have been a strong advocate of more funding for housing association houses, as my hon. Friend the Member for Stretford and Urmston will agree, and I have fought Scottish Governments of different political complexions for exactly that, because the key is subsidy.

It is not that the model is a poor one; the key is subsidy. In 2007 in our city, we had 4,000 outstanding planning consents for affordable homes that had not been built, partly because they were linked to private developments so we had to go at their pace, and partly because the subsidy was not there. If all of those had suddenly come on-stream, we would not have had the money to build those affordable homes. The biggest year of building we had—I said this in the House the other day—was 900, in 2009. That, for Edinburgh, is very high. In previous years, the reason why we did not have 900 was because the level of subsidy simply was not there. The amount of money coming in to enable us to build those houses and rent them to people was much lower than it needed to be to meet demand.

3.45 pm

I would strongly argue that the problem is not that housing associations do not have a good model of development. The problem is that if we want low-rent, affordable housing, it has to be subsidised. It either has to be subsidised, to come back to the subject matter before us, through some form of bricks and mortar subsidy—which development grant is—or it will be subsidised through higher rents that the state will be paying through whatever benefit system it has. If the state then decides, wearing its Department for Work and Pensions hat, that those rents are too high and we cannot pay actual rents, even though they are houses developed by housing associations or councils, then we are transferring the cost entirely to tenants. We are telling them that they can bear that burden and that they can pay it out of their other income.

I remain absolutely unconvinced that there is some other magic model. In fact, prior to the election, perhaps in 2009, I gave a number of seminars on a piece of work, which I had done about rents, to housing associations. I started by saying that there are external pressures on rents and that they come from Government policy and so on. One of my slides showed a picture of the current Prime Minister. I hedged what I was saying. I said that I had found a think-tank that was suggesting that development funding should be withdrawn entirely and replaced by much higher rents. I have to say that my audiences really thought that I was being a rabid frightener. They just thought that that was nonsense. I kept saying that I did not really think that that would happen and that I was just mentioning it to show what could happen, but lo and behold, it is happening—in England, at least. That is exactly the road that has been gone down.

Take away the development grant, and put the rents up—maybe not up to 80%, but, as my hon. Friend said, the less that goes up, the less houses will be developed. In effect, we are transferring the costs from the state to the tenants, but because the tenants need to be subsidised, we come around to the state paying it again. So there is the worry that on the one hand housing associations are being encouraged to go down that new form of development route, but on the other hand the Bill could give rise to a situation in which those rents that are then charged will not be met from people's housing component of universal credit.

It is important that we are clear about what is covered. That is also why we have tabled the amendment on mortgage interest. At that point, it is very difficult for people. If they are in temporary unemployment, they have been given help. Hopefully, that will not necessarily be a long-term, life-long position. That is what we have to see. Unemployment is a much more fluid situation than is sometimes realised. People are not necessarily in the category of long-term unemployed. In my experience, people go back and forwards constantly, so while it is certainly a good thing to give people in employment some assistance with mortgages, we want to have the understanding that that will be covered, and will continue to be covered. I do not entirely understand why the Government seem to be so reluctant to spell out their proposals on how rent will be calculated, on how mortgage interest will be calculated and on how rent in social tenancies in particular will be met. Is it actual rent, or are we going to keep that apparent ability to reduce

those rents as well, or to average them, or to—in some sense—equalise them, which would leave a lot of people in much greater financial difficulty?

Kate Green: I will speak briefly to amplify two or three of the points that have emerged in our wide-ranging debate this afternoon, which has been the result of the wide-ranging territory covered by the amendments.

The first issue that I want to address relates to the anxieties that we in Labour are experiencing about the potential for a disconnect between rents and the housing benefit payments that will be available as a result of the Government's proposals. It is fair to say that broad rental market areas do not work perfectly at present, and there can be quite wide variations within such areas. A good example of that is in my own community, as we are really a borough of two halves in Trafford. There are real issues when there are higher housing cost areas and lower housing cost areas within one broad rental market area.

It is important that we get the boundaries between those areas right and that we retain the concept of a local rental market area. In other words, we must understand the housing costs that have to be met in the context of what local rents are like for local people. We in Labour are concerned that over time the impact of the Government's proposals could be a weakening of that absolute local connection.

It is important not only that we have a local area, and that it is the right local area, but that claimants themselves understand it to be their local area, because that will aid their attitude towards looking for employment and help them to have a sense of where they can live while still looking for work. If people are unclear about what area their housing costs are likely to be covered within, and if they potentially have to move, that will create higher anxiety about where they will live while looking for employment. I suggest that local authority boundaries are a good way of thinking about those broad rental market areas.

The Government have made a welcome commitment to review the impact of their housing benefit reforms. That commitment came, very usefully, in the light of the report by the Select Committee on Work and Pensions. Obviously that report was not into the changes proposed in the Bill because it predated a number of the proposals in the Bill. None the less, I think that it is the Minister's intention—I hope that it is his intention—to conduct a wide review of the impact of all the Government's proposals on housing costs. Such a review would be welcomed by Members on both sides of the House.

I want to raise with Ministers the possibility that we do not have a “once-and-then-never-again” review of the impact of the Government's proposals. As Labour Members have said, some of those proposals will only take effect over a long period, and I think that we all acknowledge that the housing market can fluctuate quite widely at different points over a five or 10-year period. The housing boom and bust market is a phenomenon that, regrettably, we are all very familiar with. Consequently, I invite Ministers to consider not only a one-off review but an ongoing review process. I hope that the Minister will comment on that suggestion later this afternoon.

[Kate Green]

I want to say something about under-occupation, which is a cause of great concern. As my hon. Friend the Member for Westminster North said, we are all in favour of supporting and incentivising people, where we can do so, to move out of overly large properties and into properties that meet their needs more effectively. Fundamentally, we do not agree that the tool the Government are proposing to use will achieve that aim. Instead it will put great financial pressure on people who are currently in accommodation that is too large for them.

One consequence will be felt by social landlords. They are regarded by lenders as a good covenant and one reason for that is that their rentals are very sound. There is genuine concern that if people in social housing do not have sufficient moneys to meet their rental obligations, and fall into arrears, which over time will create a deficit for landlords, it could make lenders more reluctant to lend money to social landlords to build more homes. It will potentially put some of those landlords in breach of current financial covenants, and I know that some social landlords are expressing that concern.

The hon. Member for Cardiff Central raised useful points about some of the family structures that could be impacted by some of these changes. I wish to support family life, and I know that that wish is strongly shared by Government Members. On the position of separated parents, particularly the non-resident parent's ability to have proper accommodation for his or her children—it is usually his children, but could be hers—to spend a good chunk of time in the non-resident parent's home, much argument is made by hon. Members in some quarters for moving much more towards genuinely shared parenting. There are wider issues that we may explore when we debate child maintenance, but which I will not go into now. I invite the Minister to comment on how the proposals are intended to promote the continuing engagement of both parents in parenting their children after separation, because there are legitimate concerns about that.

Chris Grayling: We have had a lengthy discussion of the issues, which in many ways mirrored this morning's debate. There is a clear philosophical divide between the Government and the Opposition. Before I address the individual amendments, I will briefly set out that divide so that we have a context against which to debate the issues.

Our proposals involve placing a limit on the amount of the housing element that goes into universal credit—before that into housing benefit. The housing element of universal credit lies at the heart of the clause and the amendments. We have said, rightly and properly, that the support that we provide for people who are on low incomes and entitled to receive universal credit should include a housing element in recognition of the fact that many people cannot afford to acquire housing without financial support. It is right and proper that we do so. There is no dispute about that; it is a clear and central part of the proposals.

This afternoon's debate focused particularly on the decisions that we have taken about the individual segments of the proposals, and I am going to talk through each in

turn, but let me start with a simple fact and a principle. A lot has been said this afternoon about the plans to limit access to housing support, and the hon. Member for Westminster North has spoken a lot about the impact that she says that will have.

Most fundamentally, we believe that we should have a system of support in this country for those who are on low incomes in work, and particularly for those who are out of work, which encourages them to move further up the ladder of work. That is very much the discussion that we had this morning. The welfare state should not be a place where people live; it should be a place from which they aspire to climb. That lies at the heart of our proposals.

At the moment, in our view, we have a situation that is wholly unacceptable, both in practical reality and in principle. It does a disservice to the many people in this country who are struggling, in different circumstances, and who depend on the welfare state. It brings the welfare state into disrepute and adds to the stigma that some of those people face, which has been rightly articulated by one or two Opposition Members. It is best demonstrated by the all-too-regular stories about absurdly expensive housing provision in the private sector, which is funded by public sector housing support in a way that is wholly unacceptable to the public at large. It provides a level of support that is far beyond the means of working people in almost any part of the country, through which properties in the most expensive parts of town are paid for by us, the taxpayer, for people who rightly need housing support but do not necessarily need housing support in the best streets in town.

The big failing is that it is not simply a question of bringing the system into disrepute; the system also traps those people. If someone is living in an area where they depend on substantial financial support, how can they possibly move into a situation where they can escape from that support?

4 pm

Kate Green: I ask the Minister to be absolutely clear that we are talking about two different ways of looking at the comparison between what a low income working household might pay in rent and support for out-of-work households. On the one hand we need to be clear whether we are comparing the rent that each of those households pays or comparing the rent that the low-income working household pays with the local housing allowance rate, which may not be the actual rent incurred by a non-working household. They might be in cheaper accommodation, for example.

Secondly, as the Minister is well aware, many low-income working households are in receipt of housing benefit too, and many move between, as my hon. Friend the Member for Edinburgh East pointed out. People are in and out of work and the universal credit will be helpful in that context for obvious reasons. I should be grateful if the Minister could be absolutely clear in his remarks that we are comparing like with like.

Chris Grayling: Indeed we are. We heard a lengthy speech from the hon. Member for Westminster North who set out in considerable detail how the Government's plans for housing support will adversely affect, so she said, large numbers of people. I want to put in context

what we are doing. The upper limit to the housing support we are providing is £20,800 per year for a four-bedroom house. Taking the typical average spend from a household income on housing, that is equivalent to the amount spent on housing by someone earning £80,000 a year.

To my mind, that is not an unreasonable level of support for the state to set as a limit and to say that we cannot afford to pay any more than that. What is more, if we do not have that kind of limit, we will trap people there in perpetuity. These are not amounts of money that people on lower and middle incomes in work could possibly afford to spend themselves. They rightly look at the system and say, "Actually, there has to be a cap on what we spend." We are supportive, we are generous and we recognise in our society the need to provide for those who are in difficulty, but there has to be a limit. That is what we are setting out to do.

Anas Sarwar (Glasgow Central) (Lab): Could the Minister tell us how many households receive more than £20,000 in local housing allowance every year?

Chris Grayling: It is a very substantial number. I will give the hon. Gentleman the detailed figure in a moment. I do not have it in front of me. I will give him another figure. Since 2000, private sector housing and benefit awards have grown between 70% and 80%, while average earnings have grown by only 30% to 40%. We have to bring the situation under control. We must have a system that is logical and sensible. Because extensive discussions have taken place within the housing industry about the nature of the situation, we believe that the vast majority of those affected by the changes we are bringing in will not have to move. They will stay where they are with only a small adjustment of rent from their landlord.

There is nothing unusual about having to commute. Very many working people have to live in outer London because they cannot afford to live in central London. That is perfectly normal in working life. The question we should ask ourselves is whether we should artificially distort the marketplace through the support we provide to those people, with a potential impact, not so much on the housing market generally, but on their ability to move into work. That is what we are about. That is fundamental to the changes we are trying to put in place. We want a system that encourages people to take steps into work. It cannot be right to have a situation where the system effectively traps people, because of the nature of their housing, from making progress on the ladder of work.

Let me set out how we intend to approach the three different prime areas of support in our housing sector. The universal credit will recognise that different tenure types require different treatment. In the social rented sector, although we will limit payments to tenants who under-occupy their properties, we will base the money spent on actual rent.

I pay tribute to the hon. Member for Westminster North for the graceful way in which she acknowledged the situation. When politicians say things, it is easy for them to be blown up and distorted, but she made a fair point, and the Committee listened respectfully. It is particularly important to remember that for London,

but not only there, the proposals on LHA will not impact on people who live in social housing. Many hundreds of thousands of people in central London live in social housing, but they will not be affected by the change. We do not expect to see a depopulation of the social rented sector in central London. That would not be right, and it will not happen.

We are seeking to make changes in the private rented sector. We are still working on the details, but we intend to build on the LHA approach, incorporating reforms that will be made over the coming year. Private-sector tenants will have access to about 30% of the rental market in their area, including in London. I cited figures to the hon. Member for Glasgow Central showing that the amount of money that we are spending is going up. At this point, Mr Weir, I draw your attention to my entry in the Register of Members' Financial Interests.

We have seen rental levels rise and rise in recent years. There comes a point when we have to say that we cannot go on with landlords setting their rents according to the money that is available from the Government. We believe that a combination of the limitations that we are placing on the marketplace through the levels of rent that we are willing to pay, and an appropriate formula for increasing rents year by year, adopting CPI, will ensure that we continue to exert downward pressure on rents, while we continue to look at rent levels in the local market. The restriction will apply only in areas where local market rent increases exceed the annual rate of CPI. We are committed to making savings from the CPI measure up to 2014-15. I emphasise that we cannot automatically ascribe a one-size-fits-all policy indefinitely without reviewing it. We have said that if it becomes apparent that the LHA rates and rents have become seriously out of step, we are free and able to reconsider them. As ever, the Bill gives us the flexibility to do so.

We intend to commission independent external research to evaluate the impact of the reforms to housing benefit. Again, that is the right thing to do. We want to get it right. The review will be comprehensive and thorough. It will be presented to both Houses, together with a ministerial statement. We intend to make final findings available in early 2013, with the initial findings available during 2012. When laying regulations before Parliament, we will make clear the method by which housing support rates will be uprated. I hope that I have provided some additional clarity. The principle remains the same. We have to bring what has been a fast-growing cost burden on the Government under control in a variety of ways. We must restore credibility to the system for a number of reasons.

I shall touch briefly on mortgage interest. Clause 11 provides for the continuing payment of mortgage interest. As should be the case, universal credit treats mortgage interest in the same way as support for mortgage interest—SMI—does at the moment. The introduction of universal credit also provides us with a unique opportunity to simplify some of the current housing support provisions. We will consult shortly on reforms to supported accommodation and simplify the rules, while ensuring that the support is properly targeted.

I understand why the hon. Member for Westminster North tabled her amendment, but I ask her to bear in mind that if it is set in primary legislation that mortgage interest payments always have to be paid through universal

[Chris Grayling]

credit, it may tie a future Government's hands and cause unintended consequences of a kind that the amendment is not intended to achieve. In theory, it may seem a sensible safeguard, and one that everyone would agree with. However, let us take as an example that a future Government wanted to provide help for mortgage costs outside universal credit, based on a different home ownership model, such as the sustainable home ownership partnership of the kind proposed by the Joseph Rowntree Foundation. They would need new primary legislation to make the change, whereas the approach in the Bill provides for flexibility and would not make that a requirement. I hope that explains to the hon. Lady why that element is not necessary. Of course, we intend to provide support for owner-occupiers, but decisions may be made in the future that universal credit is not always the best way to provide that support.

Let me touch on the other issues raised. Returning to what the hon. Member for Glasgow Central said about the housing benefit annual award, 3,500 families are receiving more than £25,000 a year; 110 households receive more than £50,000 a year; and 30 households receive more than £75,000 a year. I cannot give him the number receiving more £20,000, but the number receiving between £12,000 and £25,000 is 53,000. There is a dividing point, but it is many thousands.

My hon. Friend the Member for Cardiff Central made a thoughtful contribution, and I absolutely understand her concerns. Of course we must ensure that we do our best to replicate the world of work and the world outside housing support. In many cases, it is logical and natural to say to young people, "You need to share in the same way that you would if you were operating outside the housing benefit world." The measures that she discussed are not in the Bill, but I will clarify the situation for her. We have had a number of discussions with stakeholders, representative groups and parliamentary colleagues, who have highlighted issues of the kind that she made due reference to. The groups involved are varied and have different characteristics, and it is difficult to legislate for a single formula that applies to all of them. We are continuing to consider our approach, but we have made £190 million available through the discretionary housing funds, which are available to local authorities to provide for such circumstances. Across a number of other issues raised by hon. Members, where changes are necessary as a result of the Bill and other housing-related measures that we will put in place, there will be a substantial payment to make available discretionary options that can provide either a short-term transition or, in theory, longer-term support for people in individual cases. My hon. Friend makes a fair point.

A couple of people mentioned the issue about women and men. There is, of course, no compulsion for people to find a shared property with people of the opposite sex if they choose not to. I say to the hon. Member for Stretford and Urmston that I am mindful of domestic violence, which is one reason why we have made sure that in the conditionality rules, women escaping domestic violence have a window to get their lives sorted out before the job search rules apply. We are sensitive to that and will continue to look for sensible ways to ease the pressures on women in that position.

The hon. Member for Nottingham South asked about the future for local authority staff. We are still in discussion with local authorities about that. Powers are being passed to local authorities on, for example, council tax benefit as a result of the Bill. It is therefore not yet entirely clear what the work load will be for staff before and after. I make no pretence that there will not be changes. It is not our intention to transfer significant numbers of staff back to Jobcentre Plus, but we are in discussions with local authorities and the DCLG about how to do that.

The hon. Lady made an important point about having local support available. I remind her that Jobcentre Plus is there to handle the rest of the benefit system, with 700 branches around the country; probably more than local authority housing benefit offices. Therefore, there should be no lack of availability for people in the position that she has described to seek advice and help with applications and sorting out the new arrangements. Local authorities will retain their responsibility for housing, as opposed to housing benefit, and so will undoubtedly continue to offer practical advice and guidance for people who need housing. For example, they will retain responsibility for sorting people out with temporary accommodation.

Fundamentally, all these things return to what is at heart a philosophical divide between the two sides. I listened carefully to the hon. Member for Westminster North earlier, who set out myriad concerns. We have to step back and ask, "What are we trying to achieve?" We are trying to achieve a housing benefit system—a system of housing support—that will be integrated in the universal credit, and which supports our goal of moving people off welfare and into work and, most importantly, closely replicates the realities of life when people are back in work.

4.15 pm

A system that artificially distorts the environment in which people live and are likely to live, for reasons that may be noble and may be well-meaning, makes the challenge that such people face in escaping from welfare dependency more difficult. That is why we have adopted this approach. That is why there is disagreement between us. We have been careful to ensure that substantial funds are available to local authorities to deal with the changes that lie ahead.

We believe that the consequence of what we are doing will be to drive down rents and make it more likely that people will be able to stay in their homes within a new system, but the reality is that some people's lives will change as a result. If their lives do not change, it is difficult to see how they will be able to escape their current position, get properly into long-term work and escape from dependency on the state altogether. Fundamentally, that is why we are making the changes. That is why we will be pressing ahead with the measures set out in the Bill. I hope that the hon. Lady will not press her amendments, but if she chooses to do so, I will ask my colleagues to back the measures in the Bill and reject her amendments.

Ms Buck: I thank the Minister for his kind remarks, which I appreciate. He is right—I am not the first politician and I expect I will not be the last to make a mistake in the heat of the moment.

The Minister is absolutely right to say that there is a philosophical divide. He is also right in saying that there are objectives in the universal credit—and there will be an element within housing costs—that are driving ahead with agendas to simplify work. We agree that there are aspects of the present system that do not work brilliantly. The problem with the central thrust of the Minister's argument, and we have heard it before in this respect, is that by concentrating as he has done on a relatively small number of extreme cases, the kind that have drawn tabloid attention, and a wider pool of cases where there are indeed issues about the levels of rent and work incentives, he is drawing us away—I hesitate to say he is doing it deliberately—from the fact that those few thousands of extreme cases are actually a cover for changes prefiguring the introduction of the universal credit, which will affect 670,000 people. That is an important point. But there is a genuine debate to be had about work incentives in very high value parts of central London. I completely agree with that and that is something that needs to be dealt with. But why it would need Cornwall, for example, to face 10,250 losers losing an average of £44 a month, I am not quite sure, or why Dover would have 2,200 losers losing £250 a month.

Chris Grayling: Does the hon. Lady not accept that in many ways she has highlighted precisely the rationale for the change? Whether it is Cornwall or Dover, there is absolutely no reason why people needing support from the state to find a home to live in cannot do so at a price that is affordable within the limits that we are setting. It may require a change in their lives to do so—it may require a move down the road—but there is no reason why they should not live perfectly well in those two places.

Ms Buck: The impact will vary in different parts of the country. We do not really know exactly how it will work. When people are making semi-market decisions about where they choose to live, then choosing reasonably priced accommodation is the right thing to do. But what we must not do—this was the spirit behind the amendments—is roll forward a system of housing costs that have disincentives, particularly in parts of the country where there is not a response from landlords for different reasons. People need to be connected to the labour market and they need to be reasonably close to work without incurring disincentives in travel costs. We must ensure that there is a reasonable range of accommodation so that communities are not broken up and disrupted. Above all, we must be in a situation where we do not have perverse and unintended consequences that drive costs up in terms of unemployment. That will not be everyone's experience, but it might be for a number sufficiently large to be quite damaging. That is not me speaking; that is based on extensive university research that has been done for the Chartered Institute of Housing, Shelter and other organisations. It is not fanciful; it is a genuine risk. That risk will grow as the changes that have already come in are potentially exacerbated by the move to CPI over the long term.

I am conscious that the Minister did not address my concerns about the impact assessment in respect of under-occupied property. I raised specific questions about what appears to be conflicting information on how that will work and the costs. If the Minister is not able to answer now, I can assure him that we will pursue this,

because there are very profound contradictions in the impact assessment that raise worrying concerns about how it will work and whether it will save any money. I was conscious that he was unable to address those concerns.

The Minister also said—I think the quote was—“she says” that there will be adverse consequences, but those consequences are spelt out in the impact assessment. It is a matter of fact. We do not know exactly how that will unfold behaviourally, but there are a number of risks attached.

We had some very useful contributions from hon. Members that raised important questions about exactly the same principle applying from the single-room rent restrictions, particularly concerning the risks for vulnerable groups. It may be a necessary and acceptable measure, but we must be extremely careful that we look at vulnerable individuals in that respect. The Minister confirmed that discussions are ongoing on the points raised by my hon. Friend the Member for Nottingham South about the delivery of services, and local authorities and others who are locked into benefit delivery contracts. We must make sure that that issue is fed back to us.

My hon. Friend the Member for Edinburgh East raised serious questions about the issue of social occupation, and made the point that people in social housing are not in a market. If they are not in a market, they have a different legal status and different expectations. It is almost inevitable that they are there because they have been in priority groups or they are vulnerable, or both, so we must be very careful about how we deal with them.

My hon. Friend the Member for Stretford and Urmston raised some interesting and important questions about other ways in which we could look at some of the extreme cases—difficult cases—that we all agree exist within the system, looking at issues around locality and broad market rental areas.

I do not intend to press the amendments to a vote, but it was extremely important to discuss them. I am grateful to the Minister for his responses, but I think there are still some very important gaps alongside the consequences of what is undoubtedly a genuine philosophical difference of approach. We will return to some of these issues, given that the Minister has not been able to give us some information today, particularly around social under-occupation. We will scrutinise that more closely when we come to the transitional point.

We have had an important debate about principles, which I think had to be had. It leaves us with a number of very serious concerns indeed about what will happen in the long term. A home is critical to people's well-being and safety, and to their ability to participate in the workplace. The absence of a home, or too much dislocation, has monetary costs, alongside all kinds of social costs. The Government approach takes too many risks with some of that, but we will return to it later. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ms Buck: I beg to move amendment 23, in clause 11, page 5, line 4, at end insert ‘, and the taxation paid in relation to it’.

I assure members of the Committee that if the previous group of amendments was shorter than Proust, this amendment is shorter than “The Lord of the Rings”.

[Ms Buck]

It is important that I finish the analogy and place some substantial volumes on the shelf of the bookcase. [Interruption.] That was the last one, I promise.

Labour Members are genuinely concerned about the decision to exclude council tax benefit from universal credit, and we have a number of questions on that point. We know that council tax benefit was going to be included, and now it is not. We know that there is an impact on universal credit, and that it sets up some interesting questions about localism against the aims of universal credit. Of course, there are problems with decentralising the council tax benefit policy at the same time as introducing a 10% cut. Whether or not one accepts that that cut is right, there are issues about how it is implemented.

Council tax benefit is abolished later in the Bill—I believe it is in clause 34. The amendment, however, takes the opportunity of using a clause that deals with housing costs to tag on questions about the taxes that fall on housing, which will allow us to debate why the position has changed on council tax benefit, and what the implications of that are. As I said about housing benefit and housing costs, we know that both housing benefit and council tax benefit have a number of similarities in the way that they have worked for individuals and households. Both have tended to act as shock absorbers for individuals at a time when their earnings have fallen out. If someone loses their job or suffers a significant drop in income, in their different ways, those benefits can be automatically triggered to relieve what in many cases, hopefully, are only temporary problems for the household.

We originally expected an equivalent of council tax benefit to be included in universal credit in the Welfare Reform Bill. The White Paper stated that that would happen, promising that

“help with rent and council tax currently provided through Housing Benefit and Council Tax Benefit”

would be included. There were several good arguments for that. According to the Chartered Institute of Housing’s excellent analysis of aspects of the Welfare Reform Bill, if, among other things, council tax benefit had been included in universal credit, the income range where households are better off under current arrangements would have disappeared. There is, therefore, a smoothing and incentive effect to be had by integrating CTB into universal credit.

That was, therefore, quite rightly the Government’s original intention. We understand and sympathise with the Secretary of State, who, we believe, fought to ensure that the £4.8 billion budget was integrated into universal credit. With such an important element of universal credit now left out, there is a question over whether we can continue to call the credit truly universal. If it was the Department for Work and Pensions that had a change of heart and decided voluntarily to localise an important but distinct part of the system, we have yet to hear a convincing explanation of why that was the case.

My suspicion is that there was something of a battle royal at the heart of Government between the two different Departments. I am put in mind of the Oscar-winning film “There Will Be Blood,” in which Daniel Day-Lewis and his rivals fight over subterranean oil

wells. In this context, I have cast the Secretary of State for Communities and Local Government as Daniel Day-Lewis, saying to the Secretary of State for Work and Pensions, “I drink your milkshake!” In this respect, he has done that, and I do not think that it was voluntary. The council tax benefit pool was the result of a victory by the Secretary of State for Communities and Local Government, which is regrettable.

We are invited to consider the prospect that, between June and October, the Secretary of State for Work and Pensions was so struck by the power of the localism agenda that he volunteered to hand some of the shelves of his bookcase over, at the same time as rightly ensuring—subject to various caveats that we have already discussed—that the housing component, which is currently localised, is put into universal credit. Therefore, one component is going one way and one is going the other.

4.30 pm

Harriett Baldwin: Will the hon. Lady allow me to pay tribute to the excellent administration of housing benefit and council tax benefit that is done by Wychavon district council on behalf of all the councils in south Worcestershire? There is an amazing source of administrative expertise in that area.

Ms Buck: I am delighted that that is not a particularly difficult intervention to deal with, and although I cannot personally testify about the excellence of Wychavon district council, I am perfectly prepared on this occasion to take the hon. Lady’s word for it. Indeed, there is much excellent administration, some poor administration and some authorities move between the two. I am reminded of a time a few years ago when my own local authority had some 26,000 items of unopened post at the beginning of the contracting-out stage. Local government, however, does a good job. It is odd, therefore, that the housing dimension is effectively being taken into central control, when I would have thought that if a local authority was better placed to have a real grasp on what was going on locally, it might be in the area of local housing costs, rather than around council tax, which is now being given to local authorities.

As things stand, given that localism has won, we are discussing the important principles about the entirely laudable aims of universal credit, which are the simplification and integration of benefit system and the best means of making work pay, without knowing anything about how the important £4.8 billion component of support for out-of-work and working households is actually going to work. This has an impact on 5.8 million people—3.6 million of them are under 65—who receive an average of £15.88 a week. A huge number of people will have this element of integration and simplification taken out of universal credit, and a significant amount of money will be involved.

The rules governing the eligibility for council tax benefit are currently similar to those for housing benefit. The rulebook for council tax benefit and housing benefit, which is virtually being replaced—details are still to come for housing benefit—currently consists of four volumes, totalling over 1,200 pages, which are the responsibility of local authorities. It is hard to see how local authorities will not continue to have to administer the equivalent of 1,200 pages and four volumes of rules,

but, instead of having to do that for two sets of benefits, it will be one only, while everything else is left in universal credit.

We have no real insight into what this is all going to mean. Neither do we know when this is actually going to happen or what the overlaps are. The Minister may be able to clarify that. According to the White Paper, the 10% cut in the cost of council tax benefit is due to take effect in April 2013, which is six months before the first new claimant is due to enter universal credit and 12 months before even the first person receiving existing benefits is moved to universal credit. Now that council tax benefit is effectively going to be abolished, rather than simply cut, will the Minister confirm that the timetable is still the same and that the existing system will cease to be in April 2013, which is in just 24 months' time? That is not consistent with the introduction of universal credit. Why is that decision being taken? Why will there be different starting points for universal credit and the important sub-component that will run alongside it, overlap it and, in many important ways, undermine it?

The other problem with all of this is that—the Minister will correct me if I am wrong—we do not have an impact assessment. The Minister of State, Department for Work and Pensions, the hon. Member for Thornbury and Yate (Steve Webb) said in November that an impact assessment of council tax benefit localisation would be published “when legislation is introduced”. I recently received a reply from a Minister in the Department for Communities and Local Government saying that a consultation would be launched in due course. So we do not know very much about this at all. We are invited to consider important and sound aspects of the universal credit and its impact on work incentives and tapers without having either an impact assessment or a consultation paper, which would give some indication of how it will be implemented by local authorities.

Localism advocates usually say, in many cases rightly, that they reflect the wishes of local councils for greater control. But I think it is true to say that, even though local authorities might welcome any additional powers, the Local Government Association's evidence flags up a serious number of risks. It does not look as if we are in any position to receive answers, although the Minister might be able to respond.

The LGA evidence on the Bill states:

“Localising council tax brings with it a number of financial risks—if the number of people claiming or the council tax burden increases—and issues about how to distribute the funding for council tax benefit between councils with different demographic make-ups; The reforms to council tax benefit should be looked at alongside reforms to council tax as a whole in order to provide the flexibility to manage the financial risk”.

To people who are looking to fundamentally reform council tax, I say, “Good luck with that!” We have been there several times before, and, generally, our experience has not been terribly happy. It looks as if the LGA is saying it will be hard to carry out such localisation and implement the cut without having knock-on consequences, which may affect the single-person discount, for example. We do not know because we have not seen a consultation paper.

The LGA also says:

“Councils will need as much flexibility as possible to reform council tax discounts to manage the financial risk.”

It goes on to say that councils should not be constrained in doing that. It continues:

“Total resources given for council tax benefit following 2013 should rise roughly in line with the total estimated council tax burden; Government should agree to keep the total sum given for council tax benefit under review. Thresholds could be put into place to trigger more resources”.

I do not know whether the Minister is planning to do that, whether he is looking at the possibility of thresholds or whether he has produced an estimate of the long-term implications. I do not know whether any such estimate or threshold would be sufficiently flexible to accommodate need if the economic circumstances change, if there is a higher than expected level of unemployment, and so on.

I have said that the White Paper made it clear that Ministers were expecting council tax benefit to be included, and the White Paper made a very strong argument for that. It pointed out that the rules are already extremely complex and that they should be simplified. As we keep saying, the universal credit simplification and integration agenda is absolutely right. It is what we want, and it is what we all agree with.

The White Paper was right, and I had sympathy with it when it excoriated the existing system: there are four volumes running to 1,200 pages; and the tax credits manual used by Revenue and Customs runs to a further 260 pages that interact with those things. Given the range of benefits and agencies, the White Paper says that

“it is hardly surprising that delivery is also fragmented and complex, requiring customers to make multiple contacts with different organisations...too much paperwork from too many different government agencies and too much unproductive time dealing with officials either face-to-face or on the phone.

Customers may be required to communicate changes of circumstance separately”—

to a number of different agencies—

“so that adjustments can be made to payments they receive... the same information is requested several times over. This increases the number of unnecessary customer contacts, at a cost to both the customer and the taxpayer, and creates potential for error and fraud.

When people do move into work, delays in payment can occur as claims stop and start and entitlement is reassessed.”

The universal credit is seeking to do away with absolutely that. A smooth transition between being in work and out of work is absolutely the right thing to do, but council tax benefits exclusion means that it will not happen. It means that people will still have to go to and have contact with more than one agency. Probably, unless the Minister tells me otherwise, they will still have to report changes in circumstances to more than one agency. If people's earnings decrease or they fall out of employment, there is still a risk of their experiencing a delay in payment of council tax benefit, because they will have to go to another agency.

My fear is that it is worse than that, because the selling of the universal credit as the answer—the total response—to people's incomes changing in and out of work may have the perverse effect of making people less likely even to think that they have to go to local government to deal with their council tax benefit. We already know that one of the flaws of council tax benefit, which I completely accept, is that it does not have particularly high levels of take-up compared with most other benefits. If we are in a system in which nearly all in and out-of-work

[Ms Buck]

benefits are integrated into a single payment except one, one of the consequences will almost certainly be that fewer people will think to apply for council tax benefit.

Given the reduced back-dating period, people might not get the benefit at all, which I am sure is not what the DWP want to happen; I am sure that it wants to find a way of responding to that, so that there are no problems about lack of take-up and about the short back-dating period meaning that people fall out of entitlement, with all the dangers that that represents. It is a struggle to understand how any of that can be avoided.

Priti Patel: The hon. Lady has mentioned council tax benefit several times. Does she oppose its localisation?

Ms Buck: I do. To turn it the other way round, integrating all benefits into one—we will probably discuss caveats and fire walls later—is absolutely the right thing to do. If the Government want to simplify through integration, which is the single most important marker of what they are trying to do with the universal credit, that is what they should do. Of course, it is what the DWP wanted. It was in the White Paper, but the policy has changed since then, without any convincing explanation. In the oral evidence sessions last week, we heard evidence that forcefully drives home that point.

James Browne of the Institute for Fiscal Studies has said that allowing councils to design their own rebate systems

“would certainly go against the point of having a universal credit in the first place...You can easily imagine some people could still have the 90 per cent marginal tax rate they have at the moment”.

The Institute for Fiscal Studies has identified the following downsides associated with the Government’s plans for council tax benefit: the potential to create a post code lottery in terms of entitlement to assistance with council tax payments; an increase in complexity and a lack of transparency with authorities designing their own policies on entitlement; the possibility of authorities using council tax benefit to persuade low-income households to live elsewhere—I have to admit that that one had not occurred to me—and having two levels of Government sharing control over tax and benefit redistribution.

Matthew Oakley of Policy Exchange has said:

“There is no obvious way of doing this...Any attempt to align the means test in CTB with the system in universal credit will severely limit the options available to local authorities to find savings. This is a huge political issue...If local authorities can’t change the means test, they will have to look at wider options like making savings through changes in eligibility and exemptions.”

The Department might be entirely comfortable with that, but before we go too much further into the Bill we should have some sense of whether that is the case and whether the trade-offs—there are always trade-offs—are ones that the Department wants to make.

Mr Mulheirn of the Social Market Foundation commented that Ministers had started out with a worthy aspiration to streamline 51 different benefit payments to just two. He said:

“As it turns out, it’s more likely that they’ll increase the number of different systems to 433: one for each local authority in the country...Not only—

I like this line—

“will you need a computer to work out your benefits, you’ll now need GPS too.”

I doubt that we will see 433 different systems, and I am happy to put this on record since it is not often that I am out-lefted by the Social Market Foundation, but the basic principle remains. It now seems inevitable that at least one taper, and possibly many variations of it, will lie on top of the universal credit and push the marginal rate up.

4.45 pm

The New Policy Institute has posited that, if the existing CTB withdrawal rates apply, this could lift the anticipated marginal rate of withdrawal from 65% to 72%. Lord Freud told us back in November, after the decision to devolve council tax benefit to local authorities so that local authorities can start to shape where it goes—we shall see—that:

“We are also determined to make sure that it works with the incentive structure of our taper on the universal credit. This will ensure that we do not have something working against that set of incentives”.—[*Official Report, House of Lords*, 11 November 2010; Vol. 722, c. 331.]

I completely understand why he has some anxiety. At present, one pound in every five earned in a mini-job could be lost in the form of reduced CTB. Even if the tapers were no steeper than at present, someone earning £6 an hour in a 10-hour-a-week mini-job could end up losing as a result of this £624 a year in reduced council tax benefit. That seems to me to be a huge disincentive. I do not think that that is a universal experience, but it is certainly a genuinely-worked model. When you start taking into account some of the other costs involved in going to work, which are inevitable—we all accept that travel, in particular, costs—that loss alone could make the difference. I think the Government will have to accept, if work is always going to pay, that it could make the difference as to whether a mini-job is effectively worth taking.

If DWP had been really determined to ensure that the taper did not work against the improved incentives that universal credit offers, it would have insisted on designing the council tax benefit replacement itself. I do not think Ministers are saying, with their localism agenda, that DWP will be designing the CTB replacement and its taper—I am sure the Minister will correct me if I am wrong. I wonder why it is that even if delivery was to be devolved, DWP was not insisting on implementing the stated commitment to work with the incentive structure of the taper on universal credit.

I also wonder whether potentially—I hope that the Minister will assure me that this is not the case—there is a risk that the circle is going to be squared another way. After all, the taper only exists because people in receipt of means-tested benefits currently receive full relief on their council tax. That is, their council tax benefit is equivalent to 100% of their council tax. If the Government decided that people on benefits should, in future pay some or all of their own council tax, the taper could be lower, or not needed at all. Of course, the price of doing this would be borne by the very poorest people, the people we have always ensured, or sought to ensure, do not fall below a certain minimum out of work. They would have to pay, potentially, tens of pounds a week towards their own council tax. That would certainly

protect the work-incentive element of the council tax benefit, but it would do so at the expense of the absolute poorest.

I do not believe that this is what the Minister intends to do, but the problem, however, stands that, with the abolition of council tax benefit going on, no replacement in sight and no clarity about how local authorities will carry that forward and make the 10% reduction as well, it is hard to see exactly what the alternatives are going to be. Either there will be some fundamental changes in council tax overall and we do not know what they are, or some of the poorest people, who do not currently do so, are going to have to contribute to their own council tax, or one minimal additional set of tapers, not currently factored in to the universal credit—and possibly a multiplicity—are going to be laid on top of the council tax benefit.

Lord Freud recently admitted that the tension between a single taper and localism was “tough”, but he said:

“I can assure you that we are not going to let a ha’p’orth of tar around council tax benefit undermine the universal credit”.

I am not sure whether £4.8 billion constitutes “a ha’p’orth of tar”, but I cannot see a way around it. I cannot see the mechanisms for doing something different, and we do not know the time scale or the wider implications of the measure. I do not know whether my colleagues will want to raise points that I have not explored. What are the implications for the devolved authorities? There are many issues concerning how the benefit will work elsewhere.

I did not focus particularly on the 10% reduction because if such a reduction has to be made, it has to be made. Making a fundamental set of changes to the administration of this benefit—which is at odds with its central thrust—while at the same time making a 10% cut, seems to be storing up a great deal of trouble. It will increase, rather than reduce, the risk of having many different variations, and that will have all sorts of unfortunate implications for local authorities. The potential for those different variations is enhanced because as the New Policy Institute’s modelling found out, the 10% reduction applied to a locally-delivered alternative to council tax benefit shows the disproportionate impact of that cut on authorities in areas of high deprivation, with the most affected losing more than four times as much per dwelling as the least affected. If local authorities pass on the cuts to claimants, recipients of council tax benefit in Richmond, for example, could expect to lose an average of £120 a year.

These are profound issues, and we do not have an impact assessment or a consultation document on the interaction between the 10% cut and the local administration of council tax benefits, and the disproportionate impact in different local authorities. Almost inevitably, it means that there will be more than one taper. I cannot see how it could work any other way. Therefore, we will have all the disadvantages that the Department for Work and Pensions accepted come with a multiple entry point into the benefit system.

This is the wrong decision. I accept that it is almost certainly not a voluntary decision by the DWP, but none the less we are dealing with a significant and important piece of in and out-of-work benefit that has been taken out of the universal credit against original intentions. That has many risks and implications for

work incentives and administration. I look forward to the Minister convincing us why, despite the original firm assurances that this was not the intended direction of travel, we have ended up with it being exactly that.

Anas Sarwar: It is a pleasure to serve under your chairmanship, Mr Weir. I am sure that as a fellow Scot you will be delighted that I am going to cover some of the issues concerning the devolved Administrations, and Scotland in particular. It is strange that council tax benefit changes have been left out of the universal credit. That goes against the whole principle of universal credit in the first place. The main principle behind universal credit is to have simplicity in our system, but we will achieve that only if all benefits are within that universal credit system. If council tax benefit is devolved to local administrations, we could have hundreds of different systems operating right across the country. That goes against the principle of simplicity.

Another principle of universal credit concerns the transparency of the financial benefits of being in work, which will come only with a uniform system right across the country. A different means test by a local authority, for example, or difficulty in determining financial breakdown and eligibility in different areas will not provide simplicity or clarity to an individual about whether they are better off in work. The Government need to consider that point, and I hope the Minister will address it.

I hope the Minister will also address how the system will affect marginal deduction rates. I want to put that into the context of the number of people and the link between council tax benefit and housing benefit and the overlap between the two. In November 2010, 5.8 million people claimed council tax benefit, and 4.3 million of them also claimed housing benefit. Two thirds of council tax benefit recipients received a passported benefit. Such benefits have not been covered in the Bill, nor have we seen detailed regulations on them. They include income-related benefits such as income support, pension credit, income-based JSA or ESA.

Half of council tax benefit recipients aged under 60 have dependent children, which is another issue that has not been detailed in the Bill or regulations. The average council tax benefit award is £15.88 a week, so it is by no means a small amount for hundreds of thousands of families. Of those who receive council tax benefit, 2.7 million are aged over 60, which is 46% of the total. We are talking not about the working population, but about some of the most vulnerable people in our communities—for example, our pensioners.

I want to cover the impact of the measures on Scotland. Over the past couple of days, I have had detailed conversations with the Convention of Scottish Local Authorities, and I am afraid that its response is rather depressing:

“We have struggled at COSLA to come forward with an in-depth position on Council Tax Benefit because the detail on the Bill”—

and the intentions behind the changes—

“has been unclear and evolving. No consultation has taken place with Scottish Local Authorities”

or representatives of the Scottish Government. It continues:

“We obviously have a serious concern about how Scotland’s interests are forming a part of the scrutiny”.

Chris Grayling: I am sure that the hon. Gentleman did not mean in any way to give inaccurate information to the Committee, but there have indeed been discussions with the devolved Administrations since the changes to council tax benefit were announced in the spending review, and such discussions will continue with the Administrations in both Scotland and Wales.

Anas Sarwar: I thank the Minister for that clarification, but I am purely quoting the COSLA spokesperson who sent me the communication. There may have been communication with the Scottish Government, but I am not sure that it spread to the local authorities and COSLA. I will take another intervention from him if he wants to detail the conversations that have taken place.

Chris Grayling: I do not want to detail conversations in an intervention. Whether or not the focal point in Scotland and Wales is local government in the end, the starting point, given the nature of the devolution settlement, is to work in partnership with the devolved Administrations. The hon. Gentleman will appreciate that it would be inappropriate to do otherwise. I am sure that he will agree that that is the correct approach.

Anas Sarwar: I absolutely accept that that should be the agreed approach, but if the tax is to be devolved to local authorities, the Scottish councils should be involved in those discussions because, at the very least, they are the stakeholders. They will have to deal with the consequences of the devolution of the powers.

The Scottish Federation of Housing Associations said that there has not been enough consultation with the Scottish Government and devolved Administrations on how the changes will affect detailed housing policy. There are wider implications following the Scottish election and the proposals for a local income tax from two of the main four political parties that will have a massive impact on how the policy will affect families across Scotland. A two-way more detailed discussion needs to take place between the UK Government and the Scottish Government and local authorities.

Chris Grayling: On the hon. Gentleman's earlier point, DWP and DCLG officials met COSLA and other local authority association representatives in March.

Anas Sarwar: I thank the Minister for that response. I missed out one part of the COSLA quote:

"No consultation has taken place with Scottish Local Authorities and information has had to be gleaned from"

low-level officers discussing small generalities, and no detailed discussions have taken place. I am happy to take an intervention from the Minister if he wants to come back on that point. If there are detailed discussions, I do not think that it is appropriate for low-level officers in the DWP to have them with representatives of the Scottish Government and local authorities. It is fair to say that certain Ministers should have discussions with their counterparts in the Scottish Government.

Guto Bebb (Aberconwy) (Con): I have had guarantees from the Department that discussions have been held with the Welsh Assembly Government. In the Welsh context, dare I suggest that perhaps the March referendum,

coupled with the fact that Assembly parties are looking forward to an election in May, led to information not being disseminated to local authorities in Wales?

Anas Sarwar: I thank the hon. Gentleman for that intervention. I am by no means saying that the information that I received from COSLA is factual, but that is the information I am working with.

5 pm

Sitting suspended for Divisions in the House.

5.24 pm

On resuming—

Anas Sarwar: I am sorry, Mr Weir; I sneaked out for a quick Kit Kat. [*Interruption.*] I am a Glasgow boy; I cannot help it. And I am out of breath.

We left at an interesting moment. I was being harangued by Government Members for my comments. I want to put on record some concerns of a party that deals with local authorities in Scotland about the lack of consultation on the Bill. My intention is by no means to dwell on that point, but rather to concentrate on the key elements—the substance—of their concerns. I want some real debate and information from the Minister to get clarification on a few points.

Four key points have been raised by the Convention of Scottish Local Authorities. First, in its words, the "indiscriminate cutting of budgets" will act as a "disincentive to fiscal responsibility." As hon. Members will be aware, council tax has been frozen for the past four years in Scotland and for six years in the city of Glasgow. COSLA is concerned that a 10% cut in council tax benefit might be a disincentive and penalise local authorities in Scotland, which have already made many efficiency savings over the past four years. Such authorities might not have much incentive to find more such savings, which might have an impact on local services. Have the UK Government, local authorities and the Scottish Government discussed that matter?

Secondly, how will the 10% cut be applied? If it is applied across the board—across the country—rather than as a 10% cut in existing money spent in Scotland, there will be a disproportionate impact on Scotland. As my hon. Friend the Member for Westminster North has said, the impact of the cuts will fall on those areas with higher deprivation. If the measure is taken across the board, rather than by each devolved Administration, the consequence is likely to be an extra £50 million of cuts in Scotland. Is that factored into any of the proposals?

Thirdly, COSLA is concerned about council tax benefit and the effect on the 20% taper. I should be grateful to hear any comments from the Minister. I shall move on quickly, because we have been in Committee for a while.

Finally, what effect will the measure have on the transfer of responsibility and its impact on local budgets? At present, if we commit to devolving all spending to local authorities, we might say, "This is what we currently spend in this local authority; this is the amount that it will get." What impacts will be taken into consideration? If, for example, demand for council tax benefit were to increase, would that be taken into account? As my hon. Friend has said, uptake is very low for council tax benefit—COSLA estimates that only 65% of people

who are eligible in Scotland apply for it and receive it. In the current economic situation, with the tightening of budgets and with benefit and other cuts, the demand for council tax benefit might increase in certain local authorities. Will that be factored in when budgets are being agreed? Will there be a continual review of the impact of council tax benefit demands on local authorities? Broadly, those are the four main concerns.

There are other concerns on which clarification would be helpful. Will the money that goes to councils be constantly reviewed? What amounts will go to them at the outset? If there is no centralised system and councils have to set up their own systems, will they get a lump sum to do so at the beginning of the process? Local authorities should not have to find such money in their budgets, which are already cut by 10%.

What ongoing discussions will the Government and the devolved Administrations have when the Bill is enacted and the legislation is passed, particularly if we have a change of Administration? Such a change might not be your preference, Mr Weir. If the Administration in Wales or Scotland were to change at an early stage, what discussions would take place with those new Governments on the impact of any change under the Bill that depended on the results of discussions with local authorities?

I shall conclude with a few comments from some of the key charities and non-governmental organisations that have been involved in the debate over the past few months. Hon. Members on both sides of the Committee will recognise the tremendous contribution that they have made in providing us with briefings, information and clarity on many matters. They have helped to inform us about the implications of the changes for thousands of our constituents. I want to put on record my thanks to all the charities and NGOs for their hard work and efforts. Some of them have already been mentioned by my hon. Friend the Member for Westminster North, so I am not going to dwell on them too much.

Barnardo's, for example, has said that even if eligibility is decided locally, the benefit should be paid through universal credit to give clarity and simplicity to the system. That will ensure there is no postcode lottery. Again, my hon. Friend has covered many of the points about the impact of a postcode lottery, increasing complexity, a lack of transparency and the possibility that people will be forced to move from a local authority. Interestingly, the Institute for Fiscal Studies has said that, of all the changes that are taking place in welfare reform and across the Government, the council tax benefit issue is of most concern. That needs to be reflected in the Minister's comments.

5.30 pm

I shall end by making the point that the New Policy Institute has modelled the broad cut of 10% across the country and has said that it will have a disproportionate impact on authorities of high deprivation. That is a serious concern to me and my hon. Friend the Member for Glasgow East. I am sure that hon. Members who represent some of the most deprived constituencies will see a disproportionate cut and impact on thousands of our constituents. That concern also needs to be considered. The New Policy Institute has estimated that the measures

will have four times more of an impact on those living in the most deprived areas than on those living in more affluent areas. What impact will the measure have on poverty in those regions? We were promised a detailed equality impact assessment from another Minister when the proposals were introduced. However, we have not seen any such equality impact assessment on the possible effects of devolving council tax benefit to local authorities. I hope that the Minister will address those points.

Jenny Willott: I will be brief because I know that everyone is keen to wrap up for today. I want to put on the record that I also have some serious concerns about the abolition of council tax benefit. I am very supportive of the localism agenda—in fact, it has been part of the Lib Dems' DNA for decades. The strength of universal credit is its simplicity. The single taper rate and single system is what will make it work. Removing council tax benefit has the potential to undermine that.

My real concern is about the impact that the measure could have on the work incentive, which is a key part of universal credit. I am concerned that councils could undermine that work incentive, which has been created and fostered by the Government. For example, if a Government of any colour decided to reduce the taper rate, councils could take that opportunity to realise some savings by reducing the amount that they put into council tax benefit, thereby undermining the Government's efforts to encourage people back into work.

We have already heard about the situation in Scotland. As a Welsh MP, the matter is of particular concern to me because of the implications for devolution. Westminster can only devolve power to the Welsh Assembly Government and the Scottish Parliament; it cannot devolve it down to local authorities. England, Wales and Scotland will definitely have three different systems, which will undermine the system's simplicity. Depending on what the political circumstances are in the devolved Administrations, that could also have an impact on the work incentive.

The benefit system has not been devolved—although lots of other things have been—in principle, to ensure that support for those who are out of work and on low incomes is consistent across the UK. Such an approach also ensures that the system does not encourage people to move from one area to another to get a better level of benefit. Such consistency is very important. The measure has the potential to undermine that and change that policy. People could get and probably will get differing levels of support from their local council, depending on where they live. That will change in a fundamental way how the benefit system works, both for those in work and out of work. I have concerns about the policy and I would be interested to hear the Minister's response.

Chris Grayling: I will try to keep my remarks brief but full, Mr Weir, if you get my gist. Let me start with the principles of what we are seeking to achieve. Clause 34 makes provision for the future abolition of council tax benefit. It will not abolish it immediately, but it makes it possible for that to happen in due course. At the time of the spending review, we announced that council tax support will be localised from April 2013. The amendment has the reverse effect, seeking to lock in support for council tax into universal credit.

[Chris Grayling]

Council tax benefit is currently delivered by local authorities but administered in accordance with nationally prescribed rules, which means that the benefit can reflect local circumstances in only a limited way. For example, local authorities can decide how to treat income from war pensions, but have little discretion beyond that to vary the national scheme.

By localising council tax support we aim to ensure that local authorities will be able to tailor support to meet the needs of their local communities. That is the dilemma, and my hon. Friend the Member for Cardiff Central is absolutely right, there will always be a tension between localism and centralisation. If we take steps to move responsibility down to a local level, there will always be some ways in which we could come back and ask about this or that. I take her point about the work incentive issue, which I will come back to in a moment, but I fully accept the tension between the status quo and localism positions. We will find that in a lot of places throughout government. If the philosophy of localism lies at the heart of what the Government want to achieve, we will sometimes have to deal with those tensions and overcome them. That is what we intend to do with council tax benefit, which, after all, provides support for the relief of a tax that is decided and paid locally and in which central Government, rightly, does not have an active role.

On balance, we think that decisions about the support to be provided should be made at a local level and, combined with other incentives, such as the local retention of business rates, the changes will give councils a greater stake in the economic development of their area. Currently, council tax benefit is also costly to administer and difficult for people to understand. Localising support gives us the opportunity to remove some of the complexities.

Turning to the points made, but in no particular order, I shall start with the Scottish issue. The hon. Member for Glasgow Central made a number of sensible points, but I do not think that he has been fully and properly briefed by the local government team in Scotland. The meeting that took place in March involved senior civil servants, the level at which we would expect such a discussion to take place. In a devolved world, inevitably the starting point is with the devolved Administration.

Scotland might seek to take a different approach, which is theoretically possible. If the scheme could be run at devolved Administration level, it might be done at a local government level, but I do not know—we have not yet reached the point in the discussions at which final decisions have been taken. It is right and proper, where we have a devolved settlement in the UK, for us to have full discussions with the devolved Administrations about plans, while working with DCLG to identify the best way of delivering our localising plans for council tax benefit.

The hon. Member for Glasgow Central and others mentioned the 10% cut. It is true, we have had to make some tough decisions, and that is one of them. I will not rehearse all the arguments for why we have had to take tough decisions. Ultimately, there are things that in

different circumstances we might rather not have done but, as part of an overall package of change that spreads throughout our society, that is one thing that we have had to do to address the financial challenges we face.

What is important, which we very much recognise—my hon. Friend the Member for Cardiff Central was absolutely right to make it clear—is that we must not diminish the work incentive, whatever structures we put in place. Our current discussions with DCLG are very much focused on how we ensure that the localisation of council tax benefit does not create the impediment to work that she described. Nor do I think that there will be a desire at local council level for that to happen, because it is often local councils, through the various services that they provide, that must pick up the pieces from worklessness.

Margaret Curran: I am not trying to hold up the Committee but I want to make a brief point. I absolutely agree with the Minister about work incentives. In the east end of Glasgow, that is a huge issue. I can tell the Minister that the resources that people get from council tax benefit are actively factored into their decisions and calculations about whether it is in their interest to go to work. If that money is removed as he suggests—I take his point about devolution, but irrespective of what that Scottish Government do—such a change could very much alter the impact of universal credit.

Chris Grayling: I accept that the change must be done immensely carefully. I accept some of the points made about the differential spread of budgets around the UK and some areas having a higher take-up than others. Those are clearly things we must take into account in the detail of what we do. Leaving aside the issue of the financial change, it is our desire to ensure that we get it right, that we devise a system that has appropriate local flexibility but marries closely with our overall objectives for universal credit. We will bring more detail before Members as time goes by. This will not be the last occasion on which this is debated, as the Bill passes through both Houses of Parliament.

Fundamentally, in the job we are doing behind the scenes, we seek to find a vehicle to ensure that we can deliver a benefit that balances against a local tax on a local basis with local discretion to integrate into local strategies, without undermining the work incentives that lie within universal credit. I am happy to commit to the Committee that we will bring forward as soon as practical further information about our plans. It is not true to say that there is a great bust-up behind the scenes. We are trying to find the best way to make something work, which fits clearly with our philosophy of localism. We will keep the Committee informed and keep everyone involved briefed, as the Bill goes through the House and the other place. We will have to bring the detail back to Parliament before any measure can be taken.

The measure in the Bill is to enable that work to take place. I hope that hon. Members will allow that work to take place, that they will leave the Bill with the flexibility we need to make that change, and that they will judge the detailed proposals as and when they come forward.

Ms Buck: I do not doubt that that is exactly what the Minister wants to do. I do not doubt that there are very powerfully expressed negotiations going on in that respect. The fact is I do not see how it can work. Even allowing for effective negotiations dealing with some of the fundamental problems about localisation, it is fundamentally wrong and unacceptable that there is localisation at all, that this very important and significant strand of funding for in and out-of-work benefits is absent from universal credit, and that we have so little information about how it will work, while we are discussing universal credit.

The hon. Member for Cardiff Central and my hon. Friend the Member for Glasgow Central have expressed significant concerns about the impact for the devolved Administrations, and the differential impact and consequences of the 10% reduction in funding. Fundamentally, council tax benefit should be within universal credit. There should be a single and integrated system. That is what the White Paper said the Government wanted. That is an important element on which I will ask the Committee to divide.

Question put, That the amendment be made:

The Committee divided: Ayes 10, Noes 14.

Division No. 2]

Buck, Ms Karen
Curran, Margaret
Elliott, Julie
Fovargue, Yvonne
Gilmore, Sheila

Baldwin, Harriett
Bebb, Guto
Ellison, Jane
Elphicke, Charlie
Glen, John
Grayling, rh Chris
Hollingbery, George

AYES

Green, Kate
Greenwood, Lillian
Pearce, Teresa
Sarwar, Anas
Timms, rh Stephen

NOES

McVey, Esther
Miller, Maria
Newton, Sarah
Patel, Priti
Smith, Miss Chloe
Uppal, Paul
Willott, Jenny

Question accordingly negatived.

Ordered, That further consideration be now adjourned.
—(*Miss Chloe Smith.*)

5.45 pm

Adjourned till Tuesday 5 April at Nine o'clock.

