



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 4 April 2019

Session 5



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Thursday 4 April 2019

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
BENEFIT AUTOMATION	2
SOCIAL SECURITY SUPPORT FOR HOUSING.....	12

SOCIAL SECURITY COMMITTEE

10th Meeting 2019, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

*Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Jeremy Balfour (Lothian) (Con)

*Michelle Ballantyne (South Scotland) (Con)

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Mark Griffin (Central Scotland) (Lab)

*Alison Johnstone (Lothian) (Green)

Shona Robison (Dundee City East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Paula Doherty (Dumfries and Galloway Council)

Jeremy Hewer (Scottish Federation of Housing Associations)

John Mills (Fife Council)

Julia Mulloy (Scottish Borders Housing Association)

Gail Ward (Highland Council)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Security Committee

Thursday 4 April 2019

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning, everyone, and welcome to the 10th meeting in 2019 of the Social Security Committee. I remind everyone present to turn off or turn to silent mode mobile phones and other devices, so that they do not disrupt the meeting. No apologies have been received, but not all members of the committee are here yet. I hope that we will get a full house in short order.

Agenda item 1 is to make a decision on taking business in private. Does the committee agree to take in private agenda item 4, under which we will consider evidence heard earlier in the meeting?

Members indicated agreement.

Benefit Automation

09:02

The Convener: Agenda item 2 is benefit automation. I refer members to paper 1, which contains a note by the clerk and a letter from Inverclyde Council. Members also have a short Scottish Parliament information centre paper, for which I thank SPICe. The Inverclyde Council letter draws the committee's attention to a barrier to the council's aim of maximising uptake of free school meals and the school clothing grant.

In March 2018, the committee held an evidence session on benefit automation and maximising uptake. Following that, the committee wrote to all local authorities, the Convention of Scottish Local Authorities and the Minister for Social Security. The issue that Inverclyde Council has raised has been highlighted in other local authority responses, albeit in more general terms. For clarity, and because there might be public interest in the matter, I want to spend a short time setting out the context.

Inverclyde Council's letter to me, as convener of the committee, says:

"The Council considers the inability to re-use"—

council tax reduction

"data received from the DWP to identify families eligible for"

free school meals or school clothing grants

"represents a barrier to the maximisation of the uptake of these benefits and has also raised this matter with Cosla who have undertaken to take up this matter with the DWP. Inverclyde Council is committed to reducing Child Poverty and sees the re-use of DWP data as one step to achieving this aim so would welcome your assistance."

The letter helpfully summarises the council's perspective on the legal positions of the council and the DWP. I thank the council for that.

I want to put on the record some of the information in the briefing paper that SPICe has prepared. On social security information sharing, the briefing states:

"Information sharing is governed by GDPR, but legislation can allow information to be shared for particular purposes. The Welfare Reform Act 2012 allows social security information to be shared for:

- welfare services,
- council tax, and
- housing benefit.

Welfare services: 'includes services which provide accommodation, support, assistance, advice or counselling to individuals with particular needs, and for these purposes'. The Explanatory Notes to the 2012 Act refer to using the information to assess whether someone has to pay for residential care and"—

this is important—

“The information may also be needed for decisions on whether to provide assistance under localised schemes, such as help with council tax.”

I apologise to members for the length of this explanation. The SPICe briefing, in citing examples of local schemes, quotes the explanatory notes to the 2012 act, which say that

“Examples of further services covered are the provision of: Disability Facilities Grants; Blue Badge parking permits; Discretionary Housing Payments; or assistance to families with multiple disadvantages.”

I will make two points before I seek members' comments. First, and most important, it appears to be that the difference between the DWP's and Inverclyde Council's interpretations of the Welfare Reform Act 2012 has led to denial of data use that would deliver—by automation, potentially—the school clothing grant and free school meals to families in Inverclyde and, perhaps, across Scotland.

I suggest that benefit automation would provide

“assistance to families with multiple disadvantages.”

It would be staggering if the United Kingdom Government sought to deny, in that way, use of data—I am sure that it would not want to do so intentionally—that would help children and families who are in need of support and assistance.

Secondly, I suggest that, as a matter of urgency, we write to the UK Secretary of State for Work and Pensions to seek speedy clarification, in the hope that that will direct the DWP to permit use of the information for that purpose. However, if the clarification does not enable use of the data, we should ask the UK Government to prioritise whatever steps are required to amend the 2012 act, or the relevant regulations, to enable automation of entitlement to families who qualify for free school meals and the school clothing grant.

I know that there is a lot in that, but when a local authority writes to us with a substantive issue relating to getting money to people who are most in need, we have to look at the matter in a meaningful way.

I have made a suggestion for action. Before we make a decision on whether to agree to it, I would welcome members' comments.

Mark Griffin (Central Scotland) (Lab): I agree with the steps that you have outlined, convener. I note from Inverclyde Council's letter the clear difference between the council's and the DWP's legal positions. If Inverclyde Council decided to accept the legal advice that has been provided to it by—I imagine—its own legal experts, it is hard to see who would challenge use of the data in the way that has been outlined. If the council's advice

is that it can use the data to reduce poverty in its communities, I would ask it to clarify whether it is going ahead and doing that.

The Convener: That is helpful.

Pauline McNeill (Glasgow) (Lab): I agree with Mark Griffin. I am very grateful to Inverclyde Council for drawing the matter to the committee's attention. For some time, the committee has been interested in income maximisation and automation of benefits. The Social Security (Scotland) Act 2018 has very important principles by which we want to abide. Those principles should be drawn to the attention of the DWP. Inverclyde Council is an example of a local authority that wants to make income maximisation easy. The approach has been proved to work for many local authorities. Glasgow City Council is the obvious example; it seems to be leading the way.

I am grateful to Inverclyde Council for drawing the matter to our attention. We should progress the issue that it raises.

Jeremy Balfour (Lothian) (Con): I am happy with the direction in which we are going. To pick up Mark Griffin's point, I say that this seems to be an issue of legal definition. It would be interesting to ask the secretary of state what legal advice DWP has taken and is relying on. As we all know, if you have three lawyers in a room, you will get five different bits of legal advice. Clearly, there is a difference in legal views. It would be interesting to explore a wee bit further why that has happened.

I know that the convener wants to handle the issue in a certain way, but I think that we should also ask what has happened in other parts of the United Kingdom. Has this issue been raised by English or Welsh authorities? I cannot believe that Inverclyde is the only place to have hit the problem. Have concerns been raised by English or Welsh local authorities and, if so, how have they got around it? Can we get around it? Is it purely a legal issue or is it a policy issue?

The Convener: That suggestion is very reasonable, but I want clarity. We will talk about circumventing legal issues when we move to the next stage of our discussions, but our request of the UK Government is not to circumvent legal issues but to remedy deficiencies that might exist in the 2012 act. Rather than having three lawyers in a room arguing something out, it would be more beneficial to bring clarity to the 2012 act. Then we would not be paying lots of lawyers to argue about how many angels can dance on the head of a pin. However, I absolutely agree that we should ask the questions that Mr Balfour suggests. Does Alasdair Allan have a comment?

Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP): You said everything that I was going to say, but better.

Alison Johnstone (Lothian) (Green): I agree with the suggestion. As the deputy convener, Pauline McNeill, said, it is an issue in which the committee has long had an interest. She hosted an event with Glasgow City Council—I think that it was last year—at which we learned what it is doing. I would like to think that there is a solution to the issue, because the parties unanimously supported the actions in the Child Poverty (Scotland) Act 2017, so it is really important. It is also important that local authorities have an opportunity to share their activities with one another and to understand the differences.

The Convener: That is very helpful. We will consider suggestions in relation to COSLA and other local authorities in a moment.

Michelle Ballantyne (South Scotland) (Con): The key word for me is “assumption”—the assumption that the 2012 act provided for only the three elements of information sharing. It is a legal matter and the lawyers have obviously given that advice. I think that we should go back to the UK Government and ask the question. We should tell it what we are trying to do, ask about the legal basis for saying that the assumption is rigid and ask whether we can have flexibility.

Keith Brown (Clackmannanshire and Dunblane) (SNP): At committee a couple of weeks ago I made the point, in relation to housing issues that we face, that we keep on considering make-and-mend solutions—circumventing this or finding a workaround for that. I repeat what I said then: we have to look at the root of the matter. There are two different philosophies here, one of which is about income maximisation, which has been the case in Scotland and parts of the rest of the UK. I am not saying that the UK Government is opposed to it, but it has not built it into the legislation, which is why it throws up such anomalies.

If we step back from the issue and look at it afresh, we see that we are trying to do something fundamental: we are making sure that the people who are most in need get all the benefits that they are entitled to in as seamless a way as possible. That is not working in this case. We might be able to get clarification from the UK Government on this issue, but I am sure that we will trip ourselves up over some other anomaly that comes up.

The best thing is to look at the situation from the other side—from the point of view of somebody who is struggling to feed and clothe their kids and to get the council tax reduction and all the other social security benefits to which they are entitled. They should have to do as little as possible to get them, and the people who are trying to provide the benefits should not be tripping over each other in trying to achieve that end.

It might be a forlorn hope, but a much more holistic view has to be taken in order to make it as easy as possible for people to get the benefits to which they are entitled. However, I am happy to go along with the suggestions that have been made by the convener.

The Convener: We have pretty much unanimous agreement on how to take the matter forward with the UK Government. However, for the record, I ask whether the committee is agreed on the course of action as outlined.

Members indicated agreement.

The Convener: I also draw members’ attention to another part of our briefing, which says:

“The DWP has worked with the Department of Education in England and Wales to create an automated eligibility checker to allow individuals and local authorities to check entitlement to free school meals. The Welsh Government pays the Department for Education for use of their eligibility checking service”.

It goes on to say

“The eligibility for free school meals is set by the Scottish Parliament in regulations. The eligibility for school clothing grants is set by local authority policy.

It is a Scottish policy choice”—

a very reasonable one, I suspect—

“to link eligibility to reserved benefits and to set an income threshold for eligibility for those on universal credit.”

09:15

I therefore suggest that we also contact the Scottish Government, given its ambition to tackle child poverty and to promote income maximisation. In my view, we should also draw its attention to the alternative model that exists in Wales, although I am not convinced that the Scottish Government or the Welsh Government should have to pay for the privilege of accessing data when it is clearly in all our interests, and in the public interest, for them to be able to do that. I suggest that we ask whether the Scottish Government is aware of the issue and whether it will make representations to the UK Government in order to seek to resolve the matter.

In my view, we should also request that the Scottish Government update the committee on use of reserved benefit entitlements to access devolved services, and on how it is working with the UK Government and the Department for Work and Pensions to resolve issues such as the one that Inverclyde Council has drawn to our attention. That might be a reasonable way to proceed.

Do members have any comments?

Jeremy Balfour: As Michelle Ballantyne pointed out, the key word is “assumption”. It would be interesting to find out from the Scottish

Government and, in due course, COSLA whether they accept that assumption or take a different view. When we write to COSLA, we could ask whether other local authorities have made the same legal assumption as Inverclyde Council, or a different one. It is clear that Inverclyde Council's principal solicitor has taken a view and has advised councillors on that basis. I would like to know whether the Scottish Government thinks that the assumption is correct or wrong.

The Convener: I absolutely agree that that should form part of the letter that we write. However, I state for the record that I do not want us to get involved in a lengthy debate about what assumption two different lawyers would make in interpreting the 2012 act and whether, if a third lawyer was involved, they would make a third assumption.

Jeremy Balfour: With respect, convener—

The Convener: I will let you back in once I have finished what I am saying.

We should definitely ask what the Scottish Government's view is of the assumption that the DWP makes, which is outlined in the letter that Inverclyde Council sent us about its interpretation of the DWP's position. I agree with Mr Balfour. I am merely making the point that, for the benefit of the clerks who will have to draft the letter, I want the focus to be on a solution and an outcome rather than on a legal debate.

Jeremy Balfour: The point is that we are not talking about an attempt to circumvent the system; we are talking about an interpretation of how the system works. I could interpret a law in a certain way and be completely wrong. If I drive through a red light, I will have broken the law, regardless of how I want to interpret that. I am not in any way saying that we should try to get round the system. However, if the 31 other local authorities have made a different assumption and adopted a different model, it might simply be the case that Inverclyde Council is wrong. I am not saying that it is or that it is not. For me, the key issue is that, if all the other councils are doing things in a different way, Inverclyde might need to reconsider its legal advice.

The Convener: You might very well be right. That was helpful.

Pauline McNeill: If you ask different lawyers the same question, you will get different answers. There is nothing new there. According to what the DWP says, the purposes for which the data can be reused do not appear to include free schools meals and school clothing grants.

We all know—this is certainly my experience—that application of data protection legislation has been overcautious. Many of us have concerns that

preventing the reuse of data for such purposes was not the primary purpose of the data protection legislation. Now we are seeing some of the effects of that. I would say that the DWP has been overcautious.

Inverclyde Council has a different opinion. It is saying that reuse is compatible with the original purpose for which the DWP provided the data. It is up to Inverclyde Council whether it wants to proceed on the basis of its legal advice; it is open to anyone to challenge that.

When it comes to solutions, if there is any dubiety about councils' ability to use the DWP data for the purposes of free schools meals and school clothing grants, we should write to the DWP to ask it to consider redrafting the purposes for which the data can be used.

However, other local authorities might still feel confident that their legal interpretation is correct. As a last resort, I agree that we should ask the Scottish Government to look at the Welsh model.

Ultimately, we have been consistent in taking the position—both in the Child Poverty (Scotland) Act 2017, which Alison Johnstone referred to, and the Social Security (Scotland) Act 2018—that we want to abide by the principle of encouraging use of data for the specific purpose of allowing people to get benefits that they are entitled to and not going beyond that scope. It seems to me that UK data protection legislation should allow for that, and that local authorities should feel confident about using the data. We should not need to pay for that. However, I presume that in the short term—at least until the social security system is fully set up in Scotland—the interpretation might change, because we would hold the data. However, until such time as that is the case, we have to have that last resort.

Michelle Ballantyne: The reality is that we are writing to ask the Scottish Government what its opinion is on the situation with regard to data sharing. My problem is that I am not sure that one can just use data without the permission of the person who provided the data in the first place. Pauline McNeill said that it is up to Inverclyde Council what it does with the data once it has it, but I am not sure that that is legally correct.

Pauline McNeill: I am sorry, but that is what Inverclyde Council has stated as its legal opinion.

Michelle Ballantyne: It would not be writing to us if it thought that it could just go off and use the data regardless, when it has been told specifically that the opinion of the people who shared the data with it in the first place is that it could not.

Pauline McNeill: That is not what the council has said.

Michelle Ballantyne: So, is it writing to seek clarification about that existing blockage?

Pauline McNeill: No. Inverclyde Council says that the data on a person who has already given it permission to use that data can be reused for the purposes of getting to that person benefits to which they are already entitled. That is the opinion that it has stated.

Michelle Ballantyne: Its legal opinion is that it can do that. However, you made the comment that it is up to it what it wants to do with the data once it has it.

Pauline McNeill: No. That interpretation of my comment is wrong. My interpretation is that it is up to Inverclyde Council how it wishes to proceed with its legal advice.

Michelle Ballantyne: Okay. I misunderstood you.

Pauline McNeill: My comment was about how it wishes to proceed with its legal advice, not with the data.

The Convener: I am tempted to ask all the lawyers in the room to raise their hands now. Thank you, Jeremy.

I do not think that we can take the discussion any further. However, it has illuminated the lack of clarity and certainty, which need to be established. If that involves amending the 2012 act, so be it. If it does not, and we can move quickly, that will be better.

Do we have agreement on what I outlined about how we should approach the Scottish Government?

Jeremy Balfour: I want to ask one more question. The deputy convener asked an interesting question about who owns the data. If I am right, the new agency Social Security Scotland will take control of the data in April next year. It is an interesting question generally but, in relation to this specific issue, come April next year when the agency holds the data, will that make the agency the data controller rather than the DWP? We might well face a different issue in April.

The Convener: That might be the situation. It is reasonable to ask what lessons a new Scottish social security system can learn about using the data that will migrate to it effectively in order to passport and automate benefits. That might be a more focused way of asking the question.

I think that we have agreement. Keith Brown wants to add something.

Keith Brown: The deputy convener made an important point. In a way, we are being asked to be legal arbiters or to ask somebody else to be a legal arbiter. However, if not autonomous, councils

have their own mandate and they can make their own decisions and seek their own legal advice. If there is uncertainty, they can get the opinion of a Queen's counsel.

I would rather see councils proceed until apprehended on that kind of issue than see them being constantly checked. However, it is perhaps in the interest of the greater good to get the clarity that the convener seeks by writing as he has suggested, so I will go along with that.

The Convener: That is a helpful segue into the final aspect of the issue that we have to look at before we move to the next item.

Michelle Ballantyne: It is worth noting that it was Clare Adamson's letter to Inverclyde Council asking about the matter that generated this conversation. Inverclyde has not just come running to us to ask us to be arbiters.

The Convener: I will check the *Official Report*, but I think I said at the start that the committee has done previous work on the matter; that is also in the SPICe paper. Fair play to Inverclyde Council for following the matter up in order to try to deliver for families in its area.

I do not have it in front of me, but Glasgow City Council also helpfully provided some information. I apologise if I misrepresent how Glasgow City Council has sought to enable benefit automation, but I understand that it uses information on people who are in receipt of council tax reduction to passport them to the school clothing grant. The way in which the council approaches some individuals allows it to automate some benefits. The committee might therefore have other ways of giving meaningful assistance. It would be reasonable, therefore, to write to ask Glasgow City Council for an update on how it seeks to maximise entitlement to free school meals and the school clothing grant, despite the restrictions and constraints that might be placed on it by the DWP or the general data protection regulations. Would that be a reasonable thing to do?

For brevity, given that Inverclyde has also approached COSLA, could we write to ask COSLA for an update on its perspective?

Members indicated agreement.

The Convener: It looks like we are there, now. I know that we have taken a bit of time over the matter, but irrespective of the conversation that we have just had, we all want to make sure that the people who are most in need get the benefits to which they are entitled, as speedily as possible. As long as we all stay focused on that, the committee can drive changes to make sure that that happens.

Are there any comments before we move on to the next item?

Keith Brown: I am happy with your proposals, convener. However, you mentioned how the council tax reduction is used. Am I right in thinking that no council tax reduction applies in England or Wales?

The Convener: I will ask that question, because I do not have that information. I think that you are right, but let us get an update for the next time we consider the issue.

I thank members for their patience. I also thank SPICe for its assistance in preparing for this morning's meeting, and Inverclyde Council for raising such an important matter.

We will shortly move to item 3. I suspend the meeting briefly to allow witnesses to take their seats.

09:27

Meeting suspended.

09:28

On resuming—

Social Security Support for Housing

The Convener: Item 3 is the third evidence session for the committee's inquiry into social security support for housing. The focus of this week's session is social sector landlords and local authorities.

I welcome our witnesses. Jeremy Hewer is policy lead at the Scottish Federation of Housing Associations; Julia Mulloy is chief executive of the Scottish Borders Housing Association; Paula Doherty is benefits and welfare team leader at Dumfries and Galloway Council; John Mills is head of housing services at Fife Council; and Gail Ward is housing policy officer at Highland Council. I thank all five of you for coming along and for waiting patiently until we got to this item.

Before we move to questions, I point out that the committee thought that it was important to have so many witnesses here so that we could get a representative view of what is happening across Scotland: things will be different in different parts of the country. The number of witnesses puts some constraints on us, however. Five people may want to answer the same question and, while I do not want to constrain your ability to put something on the record, if you are going to say what other people have said, it would be helpful if you could just confirm that so that we can move on. That will enable you to come in on additional points.

We will move straight to questions from Alasdair Allan.

Dr Allan: The convener pointed out the variety of people on the panel. I am interested in the balance of different housing types that are available to people in the various local authorities. For instance, 26 per cent of housing in Dundee City Council area is in the private rented sector. In Shetland, the figure is 6 per cent and in my local authority, Na h-Eileanan an Iar, it is 9 per cent, although I am fairly sure that most of those are holiday homes. What difference does that variety make to the issue of housing and benefits in different parts of the country?

09:30

John Mills (Fife Council): That is a good point. All housing authorities and their partnering housing associations work in different local housing contexts. That is important for access to housing. In trying to prevent homelessness, we are looking for as wide a range as possible of

affordable and sustainable housing options. If there is a huge diversion in terms of access to social rented housing, owner occupation or private rented housing, that affects the aims of the local housing strategy. It also creates practical difficulties for people who are trying to access housing in their locality in order to keep their kids at a school or to maintain their registration at a general practitioner. The issue is significant, although it also offers opportunities for some areas.

I am not sure whether that answers the question. The picture is different across Scotland.

Paula Doherty (Dumfries and Galloway Council): In Dumfries and Galloway, I hold information on the housing benefit records, which shows that one in five people on housing benefit is in the private rented sector. There is not really any information on how many private sector rentals are out there, unless we look at the landlord registration list, so we do not know whether that figure of one in five applies to people across the region or just to those who are on housing benefit.

Jeremy Hewer (Scottish Federation of Housing Associations): A concern is the high rate of turnover in the private rented sector. It is at least double that in the social rented sector, at around 16 per cent or more. At a previous session, one of your witnesses pointed out that private sector landlords might be more reluctant to let to folk who are on benefits, so there is a diminishing stock there, in a way. Our concern is that, if there is a diminishing stock, there is greater pressure on the social rented sector to provide housing.

The Convener: That is worrying, but it is helpful to have it on the record.

Dr Allan: That leads me on to the next area that I want to ask about. Mr Hewer mentioned potential reluctance on the part of some landlords to let to people who might find themselves claiming universal credit. What evidence does the panel have on the situation of rent arrears more generally and whether that situation is changing?

Gail Ward (Highland Council): Highland Council has been a live universal credit site for five years now, and the general trend is that rent arrears are increasing significantly as a consequence.

To respond to the previous question, through Crisis, we have undertaken consultation with the private rented sector, in which 43 per cent of respondents said that they would be willing to rent to people on benefits, but only if there were financial assurances in place that would help them to secure the tenancies and if support was in place.

On rent arrears overall, there have been some unintended consequences of the policy changes in the benefits system over the past five years. The average rent arrears that we are seeing are now significantly higher—two, three or four times higher—compared with arrears among those who are on legacy benefits. That is having an overall impact on homelessness and other issues across the board. It is a challenging position.

Julia Mulloy (Scottish Borders Housing Association): We have compiled information on behalf of housing associations in the Scottish Borders. About one in 10 social housing tenants in the Borders receives universal credit. There has been an increase in arrears, which are approximately a third higher for people who claim universal credit than they are for other tenants.

In the Borders, we have done specific work to separate the different types of debt. Some debt is caused by the timing of claims, and about a third of it is what we call new arrears—the new arrears that have been accrued by SBHA tenants. Of those arrears, about 40 per cent of the debt is technical, so 60 per cent is not. There is a real challenge for us in managing rent arrears.

There has also been quite a dramatic increase in demand for our financial inclusion services. This time last year, we were dealing with about 90 cases a month, but our team now deals with 176 cases a month. Although arrears are going up, there is a lot of complexity behind the issue, and a lot of energy that was not previously required is going into the claims service.

John Mills: There are two aspects to rent arrears or rent debt: the effect on the private rented sector and the effect on local authorities.

With regard to the private rented sector, the increasing gap between LHA and benefits, and the rent, causes arrears and is causing homelessness. Local authorities are concerned about that, especially given that families with children are being particularly affected and are going into the homelessness system. We can see the national picture from the Government's statistics, and we are clearly concerned about the adverse impact on children who go into the homelessness system, because that will have an impact on child poverty and other types of poverty.

We need to find mechanisms for maintaining families in the private rented sector for as long as possible, which will involve topping up the rent that is required. It is better for families to come through a managed route into a social rented tenancy that will be much more affordable. There is the impact of rent arrears in the PRS, as well as the fact that some landlords are not willing to accept households that want the option to come into the PRS.

With regard to local authorities, Fife Council has given written evidence on the impact of universal credit on its housing revenue account and on rent arrears. In the region of £1.5 million of additional arrears are on the housing revenue account in Fife. As the head of housing, I have needed to try to ensure, with the head of revenues, that we have had debt provision within the revenue account. We have provided an extra £1.5 million for that purpose in the past year, and we will continue to provide funding this year.

We are providing the extra resources to help people who have fallen into rent arrears—many of whom are doing so for the first time—but that is starting to have an impact on other housing policies that the council wants to follow, particularly in relation to new-build homes and developing services for tenants who are in need. Local authorities and their partners have a huge challenge in ensuring that we work together better, so that we can help people on universal credit. However, we will come to a tipping point at which local authorities' ability to build homes in partnership with the Scottish Government, under the strategic housing investment plan, will be eroded.

Jeremy Hewer: The way in which the system is set up, with the five-week wait, means that we are setting folk up to fail. For example, if someone had applied for universal credit last Monday, 1 April—their landlord might have raised a rent debit on 1 April, too—they would not get any money until seven days after the assessment period was over, which would have been about 7 May. Two rent debits would have been set up, so that person would already have two months' worth of rent to be paid.

One of the things that the DWP has decided to do to ameliorate the situation is to offer 100 per cent advances, including on rent. However, anecdotal evidence suggests that claimants are perhaps not aware that the advance payment also includes an obligation to pay the rent. It is, if you like, an additional debt that has to be paid; the landlord might just say, "We want managed payments, because we've got two months of arrears," and the tenant will still have to pay back the advance. Typically, a couple with two children paying an average amount of rent will get about £888 a month in universal credit; £74 will have come off that already to repay the advance, and if they are in rent arrears, they might have 20 per cent of their personal allowance taken off, too, which would be another £100. Therefore, those people will already be struggling with indebtedness, and you will not know what their back story is. Because of the situation in which they find themselves, they might already be in overdraft, and even if they get an advance payment, that money might just be swallowed up

by the bank. In other words, you are creating a hole for folk that they will find it hard to get out of.

The Convener: Alasdair Allan, I will come back to you in a second to pursue other aspects of rent arrears. I note that Mark Griffin and our deputy convener have some supplementaries on the issue, too, but you are pursuing a line of questioning.

Dr Allan: I do not want to speak for the witnesses, but from what they have said, I think that they have drawn connections between the practice of universal credit being paid in arrears and rent arrears and between rent arrears and problems with homelessness. Would it be too much, then, to draw a causal connection between the practice of paying universal credit in arrears and homelessness itself?

Paula Doherty: For the sake of clarity, I point out that it is not only universal credit but housing benefit that is paid in arrears. The issue is that, when the customer receives their universal credit payment, it is not separated into money for housing costs and money for living costs. Housing benefit has always been paid in arrears, but, in general, it was automatically paid directly to the landlord, especially in the social sector. Very often, the practice in local authorities was that if the customer did not specify that they wanted the payment made directly to themselves, it was paid directly to their social sector landlord. Things worked in a slightly different way in the private sector.

Universal credit is not differentiated for customers, and when they receive the money, they do not appreciate that some of it is for one thing, some of it is for another and so on. It is one payment for them to manage in their own way. Going back to Jeremy Hewer's comments about payments to customers and indebtedness, I would say that, because their income is being restricted, not necessarily as a result of universal credit but as a result of the benefit freeze, customers' income is being reduced. Therefore, when they get money, they tend not to manage it in perhaps the best way, and that is how arrears build up. They get money in their hand, and they forget that this, that and the other has to come off it. They might have more pressing priorities such as food for their children, new school clothes and shoes and so on; the money comes in, and either it goes into the overdraft or other priority debts take it. After all, doorstep lenders are quick to knock on people's doors for their cash, and customers might be inclined to pay that sort of thing off before they pay their rent, which results in arrears accumulating and then homelessness.

The Convener: Does anyone else wish to comment on that?

John Mills: We should not focus just on universal credit. We have to look at, for example, the application of the local housing allowance, shared room rates, the benefit cap and so on. If we look at the HL1 statistics—we and Scottish Government colleagues are trying to refine some issues with those—and the families and children who are coming into the homeless system, many applicants say that they have had to top up the rent required by the landlord using what they are getting paid under universal credit or housing benefit. That is having a significant impact, and I think that there is a direct causal link between that mechanism and the creation of homelessness.

The Convener: I will take Mr Hewer in a second—I am just trying to ensure that everyone gets an equal amount of time to put stuff on the record. I know that Julia Mulloy wants to come in here.

Julia Mulloy: It is important to acknowledge that a number of people coming into the system do not have resources in their pocket. We have had a few cases of people either leaving work unexpectedly or having their hours reduced and suddenly finding themselves in the system without any savings.

That wait is what causes the problem. When people get the money, they often have to make choices about bills. There was a case in the Borders of that happening to a family and immediately the money came in—it was a significant payment—all the bills were paid and they were left with no money. That was not a reckless choice; it was about the fear of losing their home, not having power, paying off debts and so on.

09:45

There is an issue, because when people claim, they are not always in the position of having the resources to wait for that length of time and manage the situation. There is a lot of dependency on families and wider support. If that support is not available, it causes real problems and it takes a lot of work to recover. We know that arrangements are available for people to borrow an advance, but that has implications. The feedback from people working on cases in my organisation is that claimants often do not understand the complexity and consequences of the loans and payment arrangements until repayments start coming out.

The Convener: Gail Ward, do you want to add to that?

Gail Ward: No, I agree pretty much with all the comments.

Jeremy Hewer: To follow on from what Paula Doherty said about the benefit freeze, which is a

factor, there is also the factor of sanctions. It is a combination of factors, not just universal credit.

Paula Doherty: I will pick up on John Mills's point about the impact of the LHA rate. In Dumfries and Galloway, we have 2,000 customers receiving rent in the private rented sector and 60 per cent of them have a shortfall between the maximum housing benefit—the LHA rate—and the rent that they have to pay. To quantify that, it is £1.2 million of shortfall. Those families and individuals have to find that money out of their own pockets to top the rent up. They will never receive those housing costs through universal credit. It is the same amount as the 16,000 customers who are impacted by the benefit cap in the private rented sector. People in the private rented sector are from right across the sphere—pensioners, working age and the whole market. The LHA freeze in Dumfries and Galloway is not having a continual impact in the way that the Glasgow submission outlined, because our rents are quite stable, but those customers have to find that money from their own pockets, whether they are on housing benefit in the legacy system or on universal credit.

Mark Griffin: I want to continue the line of questioning around rent arrears, particularly in Highland Council, because, as Gail Ward said, it has far longer experience of universal credit. What has been the profile of rent arrears debt? After it spiked on introduction, did it tail off, remain level or continue to increase?

Gail Ward: There are different scenarios based on the different universal credit systems. For people who went on to live service universal credit at the very start, we are now, eventually, starting to see their arrears tailing off. I think that that is because of the third-party deductions to help to clear some of the rent arrears. Those arrears are starting to reduce, but with all systems there is an initial spike of rent arrears at the start of a claim. It is probably fair to say that we are seeing slightly lower levels of rent arrears for some of the claimants who have gone on to universal credit since April last year, when some of the benefit changes, such as the two weeks' housing benefit run-on, came in.

Different tenants are at different levels of rent arrears, but across the board there is an initial spike and it then starts to tail off. However, if people go in and out of the benefit system, they have peaks and troughs depending on when their benefits start and stop. We see that a lot in Highland, because of the tourism sector. People go in and out of earning over the year, so they may go in and out of the benefit system.

Mark Griffin: We have heard that the system of payments from UC means that people are still in arrears from the previous system, so nothing has

changed there. As an authority with one of the longest experiences of UC, what is your recommendation for changing that, to stop the initial spike in arrears from happening?

Gail Ward: The way that payments are currently made to landlords has the unintended consequence of increased rent arrears. I am not sure how much you know about the system and how payments are made, but an individual customer receives 12 payments over a year and a landlord receives 13 four-weekly payments. Therefore, there is a misalignment straight away. People get into increased rent arrears as a consequence of the way that the payments are made. We can often wait up to four weeks after the customer has received their money before we receive the money. At the start of a claim, we could wait nine weeks for the first payment to come through if it is a direct one to the landlord.

We are seeing considerable increases in arrears, which we probably would not have seen if we had retained direct payments to landlords at the same point that customers got them, which we saw under live service. We would like the payments to be aligned as soon as possible—that is our recommendation. That would probably help to reduce arrears up to four weeks for each individual household, depending on how the payments are made.

The Convener: What do the other witnesses think the solutions might be? It is important that all the witnesses put their views on the record.

John Mills: As a landlord, the obvious thing that we would recommend is that the default should be rent payments direct to landlords. People would still fall into rent arrears while the assessment was being carried out, but the rent payment would be guaranteed to the private landlord, the council or the housing association. That would give us certainty, and it would certainly give the tenant certainty that their rent payments were being taken care of. Although there would be arrears, those would eventually be resolved. That would take away the risk of people not having a roof over their head.

The Convener: Mr Griffin and I have raised the issue a number of times, and the conversation eventually comes round to this: if the default position is that the rent goes straight to the landlord, should the claimant have the ability to opt out so that although the money initially goes straight to the landlord, the claimant can have the cash after that? Or should the money just go to the landlord?

Gail Ward: I agree with having an opt-out, because we see people who manage their payments and pay their rent on time. That said, alternative payment arrangements safeguards still

need to be in place for people who are maybe unwilling to pay or who struggle to pay at the right time. That safety net should be left in place for landlords so that there is a backstop position that can be returned to if the customer has asked for direct payments but is not paying their landlord.

The Convener: Without oversimplifying things—there is nothing simple in relation to any of this—the default position would be that the rent would go straight to the landlord and, once that money started to flow, the claimant would be able to opt out of that position and take the cash directly. However, there would be safeguarding should rent arrears start to accrue and issues become apparent. I am not trying to misrepresent what is being said; I am simply trying to get clarity.

Paula Doherty: Alternative payment arrangements are in place for universal credit. The main point is that the landlord's opinion needs to be asked for first when an assessment is being done of where the payments will go. A customer does not even have to tell their landlord that they are on universal credit. There is no issue if they are paying their rent.

If we have an alternative payment arrangement for housing benefit and the customer comes to us and asks to revert, the first port of call is to check with the landlord that that is okay. Administratively, the DWP seems to miss that step. Providing customer choice is as easy as updating the customer's journal to say that they would like their housing costs to go to them. The Scottish choice of whether the person would like their housing costs to be paid to their landlord comes in. If they think that they need some money for something else because the overall benefit freeze has left them short, they can update their journal and have their housing costs paid directly to themselves. The landlord will not have requested any information about that, and there will be no check with the landlord about whether that is a good idea or whether the customer has made an arrangement with them for how they will pay their rent. The payments will go back directly to the tenant, the landlord will find out, the tenant may not pay, and we are back around the circle again.

The alternative payment arrangements are in place to support customers. However, operationally, we are finding that the DWP is not doing that from the first payment, regardless of whether that information is there. It is probably due to issues of speed, but, within the law, the DWP is obligated to consider the alternative payment arrangements, because the landlords very often put that marker straight in when they are verifying the rent—"Don't pay the customer; pay it straight to us."

The Convener: Instead of alternative payment arrangements, should the payment initially go by default to the landlord?

Paula Doherty: For clarity, Dumfries and Galloway Council does not have any housing stock. I am here as a representative of the team that is involved in the administration of housing benefit and as someone who has knowledge of universal credit. My position would be that the landlord would be the default position. Particularly with regard to the social sector, you would need to check with the landlord whether they are okay with the payment going to the tenant. However, we must remember that housing benefit is the customer's benefit and the customer is obliged to pay their rental liability. The issue is that many customers find that challenging.

Jeremy Hewer: It is the custom of housing benefit that, on the housing benefit application form, there is a section that says something like, "Your rent will be paid directly to your landlord unless you tick a box indicating that you want to receive it directly." That is exactly the arrangement that we want. The default position would be our preference, but tenants should have the option to make a change.

In theory, there is a safeguard. One of the things that the DWP did when it rolled out the landlord portal was to make social landlords trusted partners. Someone who presents themselves as requiring universal credit is given the options of having that money paid directly to their landlord or receiving it themselves. If they want to receive the money, but there are issues involved such as their having an addiction problem—what the DWP terms a tier 1 or tier 2 factor—the landlord, as part of the verification process, can ask for an alternative payment arrangement to be put in place from the get-go. However, in practice, that has been rather haphazard. We would want the arrangement to be made as efficient as it should be.

Julia Mulloy: I reinforce what Jeremy Hewer said. We support the default payment to the landlord. We have had lots of feedback in our casework that suggests that that is what people would prefer, with the flexibility that existed under the housing benefit arrangements. The portal could be put to more use. If the system is simple and the payment is coming through, we can put more time and support into the more complex situations that require advice and verification. We are a trusted partner. The only thing that we cannot predict is how people will behave in the system—different people will behave differently. However, by sharing information and working together with partners, we can manage the risks in certain situations and work preventatively to avoid arrears and eviction.

Pauline McNeill: I have a supplementary question for John Mills, and then I want to move on to a more substantive issue about people in work.

John, in your answer to Alasdair Allan, you said that the issue of rent arrears was impacting on house-building programmes. Could you elaborate on that?

John Mills: As a local authority, we rely on a mix of borrowed funding from the Public Works Loans Board as well as Scottish Government subsidy to build new social rented homes. We have to work within the parameters of a 30-year housing revenue account business plan, which works to prudential limits. We have to ensure that we get rental income coming into the housing revenue account to fuel services and pay back the mortgage for building new homes. If there is any threat to that from lowering rental incomes or an increase in rent arrears, we will have to make other financial provisions in our business plan and report that regularly to elected members through committee.

10:00

If rent arrears continue to increase at the same rate in Fife, we will reach a point—we call it a tipping point in the business plan—at which I must go to the elected members and tell them that we can no longer afford to borrow at the level that we need to in order to build the number of homes that we have agreed to build with the Scottish Government and that is set out in our strategic housing investment plan. Housing associations face the same tipping point.

Although we have not reached that point yet, the rent arrears situation is putting an increasing strain on the housing revenue account and the housing revenue account business plan, which will make us more cautious about borrowing new money not only to build, but to improve homes up to the statutory standard. People across the country are analysing that potential risk through regular reviews of their business plans.

Pauline McNeill: Will you clarify whether the tipping point that you might get to as a result of increasing rent arrears is down to the universal credit system?

John Mills: No, that is not the case. We have to be up front and say that rent arrears were increasing before the introduction of universal credit. That is to do with a number of reforms—it is not just to do with universal credit, but is part of the wider position. Tenants were finding themselves in difficult debt positions before the change from housing benefit to universal credit.

We have found that universal credit has accelerated the increase of rent arrears overall. It has put people who had never before been in rent arrears—because they had been covered through housing benefit—into rent arrears. That clearly causes stress and mental health issues.

Pauline McNeill: That is helpful.

I move on to the Scottish Federation of Housing Associations submission, which has a section called “When Work Does Not Pay”. As we know, a significant number of people in work claim universal benefit—the submission cites the figure to be 32 per cent. The submission says:

“In January 2019 the High Court found that the automated assessment process used by the DWP was unlawful.”

Will you speak to that point, so that I fully understand it?

Jeremy Hewer: That refers to a case brought by the Child Poverty Action Group and Leigh Day, which is a firm of solicitors. It is to do with, I think, four single parents in employment and paid monthly. Their salary dates clashed or did not work well with their assessment periods for universal credit.

The universal credit system has been set up so that, if somebody is paid early—typically, this happens at Christmas—the period that that payment is for is disregarded. What counts is when that payment comes in. Folk who were getting two monthly payments in one month were not getting any universal credit. In fact, their universal credit claim may have been closed down because of the amount of money that they were getting.

That is one of the running issues with universal credit. Although the DWP is adamant that most people are paid monthly, I contend that a significant minority who rely on universal credit are probably not paid monthly. That includes people in precarious employment, casual employment or zero-hours contracts. As Julia Mulloy has said, it is very hard for people to budget, because the money coming in is erratic. Furthermore, when the money comes in, they lose universal credit because of how the in-work allowance works. If a person cannot use the in-work allowance the next month—they might not have got any money in because that period was in the previous assessment period—they may not benefit, and they lose out. It is not a case of a person simply getting their money eventually—they might get their money eventually, but it might be less than the full amount.

The Child Poverty Action Group has done a lot of research on the issue. It produced a publication called “Rough Justice: Problems with monthly

assessment of pay and circumstances in universal credit”.

I should say that the court’s decision on the case that you mentioned came out at the end of January.

Pauline McNeill: Can you tell the committee what the implications of the judgment are?

Jeremy Hewer: I am not expert enough to say. I do not even know whether the DWP has decided to appeal it. I think that the judgment was that the way that the DWP was assessing things was unlawful.

Our argument is that, in doing its assessment, the DWP needs to take into account when income comes in. This financial year, housing associations and social landlords who charge weekly are faced with a problem, because it is a 53-week payment year and there will be 53 weeks of rent payments. Some landlords offer rent-free weeks and might only charge 48 times a year, so the DWP will say, “Ah, you are charging 48 times a year, so we will take that weekly charge, multiply it by 48, divide by 12 and that is the amount that you will get.” In that way, it evens out. However, the DWP is not doing that when it is the other way around, which strikes us as strange.

The Convener: Before we move on, I wonder whether Paula Doherty has a bit more information on that.

Paula Doherty: In the single parents case in question, they did not receive earnings in an assessment period, so they did not benefit from a work allowance. The impact for them would have been 63 per cent of £192 a month, which is the work allowance for a single parent.

The DWP has stated that the issue is that universal credit is worked out according to when someone is paid and not when they earn the money, whereas housing benefit was calculated on when they earned the money. That benefits a significant number of customers, because if someone was to start work today and be paid monthly, they might not get their monthly pay until the 15th of next month. Their universal credit would stay up because they had not yet been paid and it would be reduced when they got paid.

With regard to the case, the DWP’s position about being unlawful is that universal credit was intended to change behaviour, and it expects employers to not mess around with the date on which customers are paid. In Dumfries and Galloway, I get paid on the 15th of the month and my payslip always says that date. If the 15th is a Monday, Saturday or Sunday, I get paid on the Friday, but that does not change the fact that my payslip says that I get paid on the 15th of the month.

The employers in the case did not adhere to that convention. They said, “We normally pay you on the 30th of the month but, because it is Christmas, we’ll pay you on the 25th”. They did not issue that payment through the Her Majesty’s Revenue and Customs system as being paid on the 30th, while banking the money on the 25th; instead, they updated their records to say that the employees were paid on the 25th. That had a significant impact on a number of customers.

The way that universal credit treats earnings is that it adjusts as people’s earnings adjust. For families, that means that there is no stability in their income, whereas, just now, we probably pay their housing benefit on a constant average of their earnings, and there is also a constant position with their tax credits. With universal credit, as their earnings go up, universal credit comes down, and if their earnings go down, it goes up. Unlike with tax credits, customers will no longer know that they will get, say, £200 on a particular day. As their earnings fluctuate, they will never really know how much universal credit they will get until the day that it is paid.

Pauline McNeill: I understood quite a bit of that. What I am not clear on is what the judgment means, and whether it is helpful or unhelpful.

Paula Doherty: The judgment requests that the DWP takes a better view on that, although, in the regulations for universal credit, I am not entirely sure how it can take a better view. HMRC sends through to the DWP’s automated system a feed of the earnings that have been paid to the customer. What the DWP has lost in that is the sense check that previously existed in the unautomated system for earnings. Staff were able to look at something unusual and realise that it was just because the person had received back money or because it was Christmas.

Pauline McNeill: It needs common sense, in other words.

Paula Doherty: Common sense works when there is a decision maker for every monthly assessment period, but when there is an automated system, there will not be a decision maker.

Pauline McNeill: Your submission and that of the Scottish Federation of Housing Associations suggested that what you have described are instances where work might not pay. One of my primary concerns is that, for people who are in work and have been in work, universal credit might be detrimental, which would affect a lot of people.

Paula Doherty: Customers who are in work generally receive more universal credit than they would have received under the legacy benefits, because the 63 per cent taper on earnings is much more favourable to those customers. From

some initial workings, we have found that a customer in employment is generally around £25 a week better off on universal credit than they would have been under legacy systems.

The difficulty is the fluctuation of that income. The way that universal credit treats earnings is different from the way that housing benefit treated earnings. There are winners and losers, and we find that the cases that come forward are those of the losers, whereas we never hear about the winners.

Pauline McNeill: I acknowledge that there are some winners, but there must also be quite a lot of losers who have been in work. As you know, child tax credit is a big issue in relation to the migration—people who received that must surely be big losers.

The Convener: Julia Mulloy wants to come in. If she can tie any of this back to housing costs and whether social security supports housing, that will be helpful to us in reaching our eventual conclusions in the inquiry.

Julia Mulloy: I have an example that illustrates the issue, and I know from talking to people who deal with cases every day that this illustrates several cases. It highlights Gail Ward’s point about rural areas and issues with seasonal work.

The case involved a young woman on a zero-hours contract who applied for universal credit. She was pregnant, her working hours fell, and she was told that she was not entitled to universal credit, although it turned out that she was. She ended up with £20 a week to live on. We will hear about the worst cases, because we are dealing with some really difficult situations. For that woman, her housing costs could not be paid and she was borrowing money from relatives who were out of the area.

With support and advocacy, we can deal with that sort of situation by helping people to understand the complexity and what their rights are. With consistent information and advice, we can support people through the system more strongly. We have a lot of cases where incomes go up and down, and where rent is often the last thing on the list. The unreliability of and changes in incomes are putting pressure on individuals and particularly on families.

Jeremy Balfour: I have two clarification questions and then I want to briefly explore one new area. I think that it was Jeremy Hewer who said that the system is set up so that the DWP can pay the rent on the day that someone applies and then that money has to be paid off over a 12-month period, but people do not seem to be aware of that option. Is that because the DWP is not telling people? Where is that breakdown of communication happening? Are people hearing

that but deciding that they do not want to take that option?

Jeremy Hewer: Sorry, but in what context is that?

Jeremy Balfour: When people apply for universal credit housing costs, the DWP can make an up-front payment on the day, which the person has to pay off over a 12-month period.

Jeremy Hewer: Yes—the advance payment.

Jeremy Balfour: You said that there seems to be a breakdown in communication or that people are not aware of that option. Is the issue that the DWP is not telling people, is it because the system is too complicated for people to understand, or are people hearing about it but just not choosing to go down that road?

Jeremy Hewer: It is probably all three. There is a failure of communication and of understanding what the advance payment covers. It needs to be borne in mind that people who apply for universal credit are not necessarily coming from a good place. They have perhaps had a relationship breakdown or bereavement or they have lost their job, so it is hard to take it in. I have been playing around with universal credit since 2013, and I still find it complex so, for somebody who is coming to it brand new, it must be a daunting prospect. It is about getting advice. Understandably, the DWP wants to automate things as much as possible to keep the processing costs to a minimum. There needs to be more support and greater understanding that universal credit is there to support the people who need it, not as an administrative convenience for those who run it.

10:15

Jeremy Balfour: Is the issue a lack of information at the first point of contact?

Gail Ward: It is a combination of all three factors, as Jeremy Hewer said. In my experience, initially, people took advances, but having to pay them back has caused them financial hardship over a period of time. That message has reached their peers, with the result that people have been reluctant to take advances further down the line. If people face other deductions or overpayments that need to be repaid, the prospect of losing 40 per cent of their income, as is the case at the moment, is quite a barrier to taking the advance payments in the first place.

John Mills: When housing benefit administration was managed by local authorities, even when there was miscommunication or a lack of communication, a housing department could rectify the situation quite quickly, because people in the housing department worked closely with their local authority colleagues. The fact that we

now have to deal with a call centre that is at arm's length, away from the local authority, means that, even when we apply for direct payments on behalf of tenants, we are never told the outcome of that decision. There is no communication back to the landlord, and the tenant will probably be unaware of what is happening until they receive their payment.

Another thing that happens is that we receive universal credit housing cost payments that belong to another council. There are quite a number of clerical errors, as the DWP terms them. When the DWP makes a request to get those payments back, we appeal that, because we have no means of tracing them. That is the morass that councils and housing associations face; the situation must be doubly hard for a new tenant. To mitigate the loss of local decision taking, we have had to put more people on the ground to work face to face with people in a range of tenures—we work primarily with people in our own tenancies—so that we can make sure that we hold their hand throughout the process. It is clear that that is a resource issue for housing organisations.

As well as the human impact on the household of the added stress and anxiety that indebtedness causes, the whole system is being caused stress, because we feel that we cannot support tenants in the way we should. We simply need better communication from the DWP. The landlord portal has significant potential to facilitate that, if it is developed in the way that it should be. There are a number of challenges. We have put forward a number of solutions, but they do not seem to be getting traction. Those are local authorities' concerns.

The Convener: I will bring other witnesses in. You mentioned the landlord portal, and it would be helpful to get some more information on that.

Julia Mulloy: Consistency of communication is an issue that affects take-up. The contact locally has a distinct feel and can be extremely positive—we work together and we share issues with the local teams—but the service centres can be more remote. The relationship is very much around casework rather than being a general relationship. That is a challenge when dealing with 500 people; when the figure increases to more than 2,000 people, it will be a significant challenge. There could be a stronger relationship between the service centres. My colleagues in Berwickshire Housing Association have raised the fact that, although most of us work with the Dundee service centre, it is the Middlesbrough service centre that deals with the cases of people who live in places such as Coldstream and Paxton, which means that knowledge of the Scottish system is not as consistent as it could be. Work could be done on the consistency of message and there could be

localised campaigns, depending on issues in the area.

Paula Doherty: The issue with the advance payment is customer behaviour and the fact that, since 1986, there has been a significant length of time during which housing benefit has been administered by local authorities. Customers are not used to dealing with the DWP on housing issues. Housing is a devolved matter, but housing benefit is not. Customers are not expecting universal credit housing costs to be paid in the advance payment. There are three reasons why people do not then pay the money to their landlord: they do not understand the system, they are just not going to pay it, or they have other uses for the money. People are not used to receiving money in their hand for housing, because, under housing benefit, money for housing costs went to their landlord.

Jeremy Balfour: That takes me to my second point of clarification which, again, is addressed to Jeremy Hewer and Paula Doherty. Let us assume that the committee takes the view that the money should go straight to the landlord but that there should be an opt-out for people who want to receive it. I am a bit confused. Are you arguing that, if I were to opt to receive the money myself, the landlord should have a veto and be able to say that, given that the rent has not been paid, the money should go straight to them, even if the claimant wants that money?

Jeremy Hewer: Those are the existing rules. Managed payments to landlords can be set up for one of two reasons—if there is in excess of two months' rent arrears, or if a claimant, who might not have rent arrears, has vulnerabilities. There are tier 1 and tier 2 vulnerabilities. The landlord of someone with a tier 1 vulnerability, which could relate to problems with addiction, can legitimately ask for the money. Even if the individual refused and wanted the money to be paid directly to them, the DWP would say that, for that person's protection, there would be managed payments to the landlord.

The landlord portal has been mentioned—I do not know whether we will discuss it further—but one of the real inadequacies is that the systems that underpin universal credit are not fit for purpose. The committee will have heard about managed payments being paid on a four-weekly basis, and about the fact that the money can sometimes be posted to other landlords by mistake. A lot of the problems are due to the fact that the DWP has not yet automated the systems.

There are two different systems: the universal credit system and the third-party creditor system. When those systems were set up, we suspect that there was very little discussion between the two sides, which is one of the reasons for the

incompatibility. We suspect that there is a heavy reliance on manual processing, which is why reference numbers are being transposed and national insurance numbers are being used instead of reference numbers. Suffixes are supposed to be ascribed to each payment—MP for a managed payment and AR for arrears—but sometimes they are missing, and frequently they are in a mix of upper case and lower case. No computer system decides, "Shall I use upper case or lower case?" That is happening because some poor soul in the bowels of the DWP is typing all that stuff in and, inevitably, there will be human error.

In the early stages of universal credit, we could say that such errors were fine, because there were not many cases and the problems could be addressed. However, the system is now being rolled out to scale, and huge numbers of people are using it. It is reasonable to assume that, in most cases, about 40 per cent of the tenants of social landlords will be reliant on universal credit. An average-sized association will have 2,000 tenants, so 800 souls will be on universal credit. We do not want to be dependent on landlords phoning up the DWP to discuss each individual case; we want the information to be on the landlord portal. There is information that the DWP can disclose now without having explicit consent; having that information on the portal as the default would make such a difference. Such information might include the start date of housing payments being paid to the landlord, when the landlord can expect the payment and the amount of the next payment, which is very important given that universal credit is also an in-work benefit, so the amount that is awarded in housing costs might vary from month to month.

Jeremy Balfour: I want to take you back to my original question. I understand that there is a system in which certain individuals do not get the choice, even if they want it. Are you saying that that should be the same for every individual? That is what I am trying to push you on. If you are put into the category of someone who is not going to pay their rent, you do not get to choose to take the money, even if you want it. Are you arguing that a landlord should have that right of veto, no matter who the individual is or whatever their circumstances might be?

Jeremy Hewer: No. They would need to have reasonable cause to exercise that right of veto.

The Convener: Because of time constraints, I just want to check something quickly. Are you referring not to the right to veto but to the safeguarding procedures that you have mentioned?

Jeremy Hewer: Yes.

The Convener: Under existing DWP practice, there are what are called tier 1 and tier 2 vulnerabilities, and if the landlord can evidence any concerns or issues in that respect, they can persuade the DWP, irrespective of the claimant's views, to send the money directly to them. I therefore do not think that you are talking about something new.

Jeremy Balfour: No. My question is whether we should get rid of the categories and so that landlords could say, "I want the money to come to me, no matter who the individual is."

Jeremy Hewer: No.

Jeremy Balfour: I was just unclear about what you were saying in that respect.

Jeremy Hewer: They must have good cause.

The Convener: Are you saying that, aside from the safeguarding procedures, there should be a general power of veto?

Jeremy Balfour: That is what I thought Mr Hewer was saying, and I just wanted to clarify the issue.

Jeremy Hewer: There would have to be good cause, and I also emphasise that such cases are reviewed. It is not that the arrangement goes on for ever and ever; the DWP will expect the situation to be reviewed and to see whether the individual is now in a position to take on the responsibility themselves.

Jeremy Balfour: My apologies—I misunderstood you.

This might be more of an issue in Edinburgh and the Lothians, but my final question is about the payment of deposits. Is that an issue in Highland, Fife and Dumfries and, if so, have you found some way of mitigating it? Are you helping tenants who might be struggling to put together the deposit to pay a private landlord? Do you have any schemes in that respect, and are they working?

The Convener: I know that John Mills was keen to come in at the tail end of the previous line of questioning, so it might be helpful if he mopped that up and then moved on to answer the new question.

John Mills: I do not think that, whether the landlord be private, the council or a housing association, they should have the right of veto. For many families and households in Scotland, the housing journey has transition points. For example, a young person leaving local authority care and moving into their first home will need time to adjust to the issue of household income and expenditure.

What we are suggesting, certainly from a local authority point of view, is that, at such key transition points, the default should be payment to the landlord until the individual gets settled. As part of the annual return on the charter in Scotland, all social landlords measure tenant sustainment over the first 12 months, and it is quite a critical measure of how we are getting on with our tenants. The relationship between landlord and tenant is critical, and we would never overpower a tenant or take away their right to make a decision, once they are settled and know how their housing costs are being covered. At that point, they can, of course, opt out.

If we give people all of the money and they are not sure how exactly to portion it out in a household budget or do not recognise the requirement to pay their rent, things will go into a downward spiral. For a variety of reasons—eviction, say, or simply abandoning the tenancy—it ends up in failure all round, and the individual goes into the homelessness cycle.

As for the question of rent deposits, most housing organisations and certainly local authorities support voluntary sector rent deposit schemes, which work pretty well and allow good relationships with private landlords to be sustained. As ever, though, we need to put more money into such schemes as more people seek to access the private rented sector.

Gail Ward: In Highland, we have a deposit guarantee scheme that is currently being reviewed as part of our rapid rehousing transition plan. It is has been underutilised for some time, because of the private rented sector's reluctance to engage with people on benefits, and we are reviewing the scheme to see what we can do with it.

10:30

The Convener: If I remember rightly, a line of questioning that we had in the past few weeks was about the use of the moneys that the UK Government, the Scottish Government and local authorities are putting into the social security system for rent deposit schemes, and about the constraints on those in terms of the available houses and the ceiling on the amount of deposit that can be given; is there a more innovative way to use money that is being spent anyway to better support the use of the private sector? Whether you can suggest changes just now or want to reflect on that question, we would welcome it if you were to consider that. It is not just about mitigating or addressing concerns; it is important to consider whether there are different ways of doing things. We have heard from Gail Ward, so I will go along the line. Does Julia Mulloy have any additional comments on that?

Julia Mulloy: No.

Paula Doherty: We have a rent deposit guarantee scheme in Dumfries and Galloway, but the discretionary housing payment regulations also allow local authorities to pay rent deposits and rent in advance under existing legislation. The difficulty is that rent in advance is, by design, something that customers should get back later, whereas the discretionary housing payments do not come back, so there is a restriction on the value of those. When we were paying rent deposits and rent in advance, a significant amount of money was going to customers and then, when they moved on to their next tenancy, they would come back for another payment, whereas they should have had that their deposit and their rent in advance back in their hand. The policy decision in relation to the constrained fund is that we do not pay for those things unless there are exceptional circumstances. We send customers to the rent deposit guarantee scheme.

Michelle Ballantyne: Good morning, everybody. This has been an interesting session.

I am looking for clarification. I think that Julia Mulloy said that she deals with the most vulnerable element of our society—people for whom, when things go wrong, they go really wrong. I want to get a handle on what volume of your tenants we are talking about. You gave us the figure that one in 10 are claimants. Is that right?

Julia Mulloy: That is right. We have about 515 claimants out of just over 5,500 tenants.

Michelle Ballantyne: A third of the claimants have arrears.

Julia Mulloy: Let me look at my statistics. Of the people who receive universal credit, 50 per cent have a debt and a third of that debt is new arrears.

Michelle Ballantyne: So 50 per cent of the one in 10 have arrears and a third of the debt is new arrears. Of that, 40 per cent is technical and 60 per cent relates to failure to pay, for whatever reason.

Julia Mulloy: People are not necessarily keeping the money. We find that people might not have claimed at the right time or might have had a problem with the claim. We carry quite a high case load of debt where we are not sure whether it will be paid off. There is a lot of uncertainty.

Michelle Ballantyne: When there has been a claim issue, do you include that in the technical debt?

Julia Mulloy: The technical debt arises when we know that there is a claim and we can see it on the portal.

Michelle Ballantyne: So that is just a delay.

Julia Mulloy: In some cases, people have been told that they are not entitled to benefits, although they are. In odd cases, income has been misread—annual income has been misread as monthly income—which has meant that people have been classed as not entitled. There is quite a lag there, and there is no certainty.

That comes back to the portal and information. The broader the information is, the more we can risk manage situations and understand whether the debt is technical or real.

Michelle Ballantyne: For the tenants you have difficulty with in terms of management of benefits, what does that work out at?

Julia Mulloy: In value?

Michelle Ballantyne: Is it 1 or 2 per cent?

Julia Mulloy: It is about £60,000.

Michelle Ballantyne: No—I am asking for a percentage of your tenants.

Julia Mulloy: It is about 1 per cent.

Michelle Ballantyne: Is the figure in the same ballpark for all the witnesses?

Gail Ward: Our figure is probably higher. We have 3,000 tenants on universal credit out of our housing stock of 14,000 properties. Of those tenants, 60 per cent—give or take—are in some rent arrears, so we deem all of them to be vulnerable in some way, but probably considerably fewer than the 60 per cent need a high level of input and resource to resolve their issues.

John Mills: We gave figures in our submission. At the end of February, 6,226 Fife Council tenants were on universal credit with a total arrears value of £1.537 million. We believe that another 8,000 tenants will move on to universal credit during the next period, which will cover about 45 per cent of our tenanted stock of about 30,000 homes. We therefore expect rent arrears to double because of universal credit.

Michelle Ballantyne: I am trying to establish what percentage of your tenants are vulnerable and need support. I will then go on to ask about the support that is in place. We are moving over to the new help to claim programme, which will change how people are supported. That might or might not be for the better; I have heard mixed views from different quarters. What is your view of that support? Given the percentage of people who might need it, what impact will it have?

Paula Doherty: The help to claim process is about getting the claim to payment, but we find that, once customers' claims are in payment, they have difficulty—that comes at a later point. The

difficult time for customers generally arises not when they put in the claim and get the first payment but when they have to manage their income as they go forward. The help to claim process is not designed to help those customers.

The Convener: Will the help to claim process address the five-week wait? Will it address payments not going to landlords or the doubling of rent arrears that John Mills suspects will happen in his local authority?

John Mills: We have a really good relationship with Citizens Advice and Rights Fife. Because of the change to the way in which claimants are helped, I am sure that citizens advice bureaux will do their best across Scotland.

We cannot take risks with this. Dundee City Council has what it calls a tenant hardship fund for the first period of universal credit. I do not particularly like the term “hardship”. In Fife, we have developed and are just about to implement a £1 million scheme so that the housing revenue account helps new universal credit claimants with their first two weeks of rent payments. If they get a follow-through of housing benefit for two weeks, we will pay another two weeks of rent so that they do not get into such serious arrears during their first period on universal credit. However, that means that we will bring in less rental income. We will target that help to people whose support needs have been assessed and who we already know will find it more difficult to budget.

Michelle Ballantyne: Will that in effect flip the rental payment from an arrears payment into an advance payment?

John Mills: Yes. We are trying to ameliorate the fall into rent arrears, which is really stressful for a lot of people. The support is not an advance that we will ask to get back; it is basically a grant. It will be paid as an allowance through the client’s rent account.

Michelle Ballantyne: That means that someone who goes on to universal credit will be paying their rent in advance as opposed to in arrears. In effect, it is a flip.

John Mills: Yes. We would prefer the first payment of housing costs to default to the landlord so that we can maintain better management with tenants. We have not got that yet, so we are taking steps to help tenants who have fallen into arrears for the first time because of universal credit.

Gail Ward: From my experience of the past five years, I think that the more we can invest in the start of the claim, the more successful it is likely to be. That goes back to Paula Doherty’s point about people not being used to having money for their rent; we see a huge number of cases where

people cannot let go of the legacy of claiming help towards their rent through housing benefit. We see a lot of people who do not claim housing costs at the start of their claim. I would like the help to claim process to reduce that so that we get claims right from the start. That would lessen the requirement for resources further down the line, when we might require to put things right.

However, one of the biggest issues that we face concerns on-going support. I oversee housing support provision for Highland, where we have 300 to 400 people who receive on-going housing support. Anecdotally, the information that is coming back from commissioned services is that the biggest challenge is the requirement to help people to maintain their universal credit claim, as opposed to dealing with other issues. I hope that some of the earlier investment that we have got will lessen that situation.

Jeremy Hewer: On the help to claim programme, having a more holistic approach to supporting claimants is welcome. However, there are two big caveats. One is that the money that has gone into the programme has been taken from the universal support that is delivered locally, so some services that were quite good are no longer being funded.

The other thing that I emphasise is the on-going support. As a colleague from Inclusion Scotland—I think—said to me, if someone has vulnerabilities, those vulnerabilities do not suddenly disappear when they get their first payment. The issue is about maintaining the claim.

Research was done down south by Curo—a housing association that is based in Bath—which considered arrears and universal credit. It found that there is a break in time between when someone might become eligible for universal credit and their claiming it. That might be because they thought that they were going to get a job in the next week, so they did not bother to make a claim, or because there had been a family breakdown or something similar that got in the way of making the claim.

The point is that there is no back-dating, as such, with universal credit, and that sets the tone for the subsequent claim. If the help to claim programme could help with that, that would be great. However, there is concern about the fact that some citizens advice bureaux are not open all the time in certain areas, so there is a heavy reliance on web chat and phone calls, which are perhaps not the best mediums for some claimants. We are also getting feedback from some associations that there is a long waiting list for folk to get a face-to-face interview at a bureau. The issue is how the existing CAB services and the help to claim CAB services meld.

The Convener: It would be good if the committee better understood the help to claim programme, so it is important that it has been raised.

Mr Hewer said that some of the funds that are supporting the partnership with Citizens Advice Scotland were previously given to local authorities, so it is not necessarily a new service; it is simply a new service partnership. It is important to establish whether that means that there might be nothing new in relation to the arrangement. Another thing that is important to establish is whether the help to claim programme in itself will do anything to change the structures that you have raised concerns about today. The programme is important, so we must understand it properly. Will you clarify those issues?

Jeremy Hewer: As I understand it, the £39 million that was given to set up the help to claim programme came from the money that previously went to universal support that was delivered locally.

The Convener: That is helpful.

John Mills: I have a figure for you. From April 2019, the DWP is removing £182,000 from Fife Council, which we had put into local support services. That is how the help to claim programme is being funded. In Fife, we are putting those services back in place at additional cost.

The Convener: Although we wish that Fife still had that money, we wish the help to claim programme well. Does it change in any way the structures that you have raised concerns about this morning?

Julia Mulloy: The issue is to do with the gateway and the message that is sent. There is a great deal of fear about the system. Some people do not claim because of the news stories that they have heard and the negative image that they have seen. The words “help to claim” send a different message than that which has been sent historically. That is an important step.

If the programme is a genuine addition, it may alleviate the pressure on the financial inclusion services that we all offer in relation to immediate claims. However, it still will not deal with the issues with the whole system that we have talked about. The connection of the system is an issue. The initial claim is really important, but so are the questions about how different benefits and the responsibilities of other organisations connect with each other.

10:45

Earlier in the meeting, the committee talked about school meals. We have had discussions about DHP—particularly in relation to the bedroom

tax—and the connections there are all-important. Advice to claimants is important, but structural and fundamental shifts are needed in the system to help people through it.

The Convener: It is good that our committee is finding out more about the initiative.

Michelle Ballantyne: On the other side of the fence, I have been to a lot of jobcentres across the country to observe what goes on at their front end and talk to the teams behind them. What relationships do the witnesses have with the DWP through jobcentres and the support mechanisms that are there?

Pretty much all the jobcentres that I have been to offer a myriad of support. Their staff actively encourage people to come in and sit down with them to have conversations and get budget management support and that sort of thing. Have you experienced that? Do you have contact with jobcentres? What are the relationships like?

Paula Doherty: We have a strong relationship with our local Jobcentre Plus, which provides significant support for customers who need to claim universal credit. Jeremy Hewer mentioned the difficulty for the customer around the date of claim. They have to get to the claim and they do not get any universal credit for the one, two, three, four or five days that they wait—the process starts when they make their claim. There is no back-dating provision to the same level as we had with housing benefit.

Gail Ward: We have an excellent working relationship—because Highland was thrown in from day 1, we had no choice but to have that. However, that has continued and we have a really good working practice. We meet every six to eight weeks to look at initiatives that we can put in place to support people.

A big difficulty that we have is the rural context; it is not always easy for people to get in to access services. I have large concerns about the protected date of claims, which does not exist under universal credit legislation. If people struggle to get face-to-face contact because of rurality, they will genuinely miss out on benefit entitlement. That is a difficult issue and we are putting in our own services to try to ensure that that does not happen.

Julia Mulloy: As I said earlier, we have strong relationships locally. There is engagement with the community planning process and there are working groups. We can feed issues and themes through, which is helpful. We often work at a local level to resolve the themes that we cannot resolve with the service centres, so that is a useful channel.

I come back to the fact that housing benefit has been managed locally for many years. We have built up information-sharing protocols, relationships and local knowledge. The jobcentre could replace that in some ways, if that is how things remain.

The relationship is great—it works well and the commitment is there. We still have issues, but at least we have a local connection that we can work with.

The Convener: I invite John Mills to make the final comment on the topic. To give members and witnesses a time check, we have 20 minutes left, and Alison Johnstone and Keith Brown still want to raise lines of questioning.

John Mills: We have positive relationships with local jobcentres. The issue is the DWP, which is at arm's length.

We do joint training; we also do joint visits to tenants' homes. That is positive, and staff are motivated to do the best that they can—there is no criticism there at all. The main difficulties arise in dealing with the DWP's contact centres at arm's length and with the communications that arise.

Alison Johnstone: This has been an interesting session. I will continue on the theme of existing support for tenants. Very early on in the committee's work—it feels like a long time ago—we took evidence on implicit consent from, I think, East Lothian Council. Fife Council's submission says:

"The DWP need to reconsider the issue of consent and allow Council's to have implicit consent".

Obviously, implicit consent would help council officers to assist more easily. To what extent are the arrangements for explicit and implicit consent an issue when you are supporting tenants with their claims?

John Mills: That point was made by the head of revenue and commercial services, Les Robertson. Whenever we are made aware of someone who is moving from, for example, housing benefit to universal credit, we pay them a visit. We also do that when a tenancy starts. We have recently employed another set of revenue officers, and they can go and get explicit consent from the tenant and assist with a claim.

If the DWP accepted that, as a local authority, we are a trusted landlord, why would we not get implicit consent? The tenant has signed a tenancy contract with the council. We have to get over that issue of our being trusted that we have the tenant's consent. We are acting in their best interests and are trying to sustain their tenancy. That is the point that Les Robertson is making in our submission.

Explicit consent increases our resource requirements because of the need for face-to-face contact with tenants. We would rather use that resource on other areas of support.

Alison Johnstone: Do others share that view?

Paula Doherty: Having implicit consent makes it much easier to resolve issues in the customer's best interests. By definition, explicit consent means that you have to go to a customer and make contact with them. That is very challenging for customers who have significant vulnerabilities; that work is also resource intensive. By the time that you get to the customer, they have to say that they want somebody to contact to deal with the issue. That all takes time and causes delays and stress. In that environment, it is very difficult to best support those customers.

The Convener: I see various heads nodding. It would be helpful if we could get your views on the record.

Alison Johnstone: I want to understand why the change came about. Why did we move to the requirement for explicit consent when that seems to be so resource intensive and unhelpful?

Paula Doherty: I think that it was to do with data protection. Customer consent is required for information to be shared with a third party. Universal credit and legacy benefits are customer money; housing costs are customer money. Ultimately, the money will go to the landlord, but it is the customer's responsibility to deal with it. In a general population, consent is welcomed in ensuring that people are supported to manage their money in the best way possible, but with customers who are significantly vulnerable, the worst thing that will happen if they do not do all the things that they need to do is that they will be evicted. If they do not pay, the money will not come through and the customer cannot access the support that they need.

Alison Johnstone: What can we do about that?

Gail Ward: John Mills mentioned the trusted partner. That seems to be the trick that the DWP is missing in this matter. If we are a trusted partner, that definitely should work both ways. We sign up to a commitment that we are there to represent our most vulnerable clients. Signing up to that status as a trusted partner, which means signing a legally binding agreement, should get us over the barrier of requiring explicit consent.

When Jeremy Hewer and I had our very first meeting with DWP colleagues in 2013, they did not even see a role for the landlord in the universal credit environment. I am pleased to say that we have made leaps and bounds since then. Although they have taken the step forward to engage more with landlords, they are not bringing explicit and

implicit consent along with that. That is quite disappointing because, ultimately, we could do a lot better with implicit consent and help to resolve quite a lot of the issues with the universal credit system.

Alison Johnstone: It is clear that you would like to see some change there.

Gail Ward: Definitely.

Jeremy Hewer: I reiterate that, if a landlord portal could be developed with information that we can get legitimately so that landlords do not have to pester the DWP for it, that would ease up a lot of logjams.

The Convener: The *Official Report* does not pick up on nodding heads. Do all five witnesses agree on those two underlying points?

Witnesses indicated agreement.

Keith Brown: Thank you very much for the evidence so far. My question is for Julia Mulloy and Paula Doherty in particular.

I was interested to hear Julia Mulloy mention the bedroom tax. Believe it or not, there has been some discussion in the committee about whether the bedroom tax exists, but I will leave that to one side.

From what has been said, I am conscious that different things apply in Julia Mulloy and Paula Doherty's areas compared with just across the border. I think that you do not have council housing stock in Dumfries and Galloway and the Borders. I want to ask about your awareness of any differences. Various things are done in Scotland. I do not know whether the different tax rates that now apply in Scotland, the council tax reduction, the bedroom tax mitigation or the Scottish choices that have been mentioned have impacts. As far as you can tell, what has been their impact on homelessness, arrears and the complexity of the system that you have to develop? The system must be more complex than that on the other side of the border. From talking to colleagues in councils across the border, are you aware of the impact of those differences?

The Convener: That is an interesting question. Is there sharing of best practice, given the close proximity of the areas? Who wants to take up the cudgels on that question? Paula Doherty might be volunteering, slightly reluctantly.

Paula Doherty: Yes—reluctantly. The Dumfries and Galloway Council area just touches on the border; I will nod to Julia Mulloy to answer the question, too.

A major issue that we have had is that we do not have an awful of cross-border traffic. A member of staff moved to Carlisle and was told six months later that it was time that she moved to

another GP, because she was continuing to benefit from free prescriptions when she should no longer have been doing so. She did not get a lot of prescriptions, so do not panic about that.

It is often easier for customers in Gretna to go to the Carlisle jobcentre whereas, for universal credit and Scottish choices, they have to go to Annan. They are no longer able to move around jobcentres; that is an issue for universal credit customers generally. The same issue arose for people in Sanquhar, who were Dumfries and Galloway residents and previously went to Cumnock. We went live at a different point, and they had to go to Annan or Dumfries. As we are now all full service, I hope that customers will start to be allocated the jobcentre that is closest to them. However, that will certainly not happen over the border. They will never go to Carlisle.

Julia Mulloy: We do not have direct contact with the local authorities over the border because we work in a different system. However, over the years and in the development of our preparations for the implementation of welfare reform generally, we have ensured that we have attended events down south and in Scotland so that we can keep up with the impact of roll-out in different places.

We are discussing a piece of research on the impact of arrears, which involves the DWP and eight landlords south of the border. We are looking at participating in that research and maybe that will develop our understanding.

The housing sector in general down south is very different, and some of the challenges are very different. We have significantly mitigated the impact of underoccupation by working with the local authority and through changes in funding that have been really beneficial. For us, it is about joining up all the rules on underoccupation, localised benefits and UK-wide benefits. I mentioned that some tenants in the southern end of Berwickshire deal with a call centre in Middlesbrough, which has caused issues because of a lack of understanding. There are differences in the system, and people are looking for the Scottish benefits that are not available south of the border.

11:00

Keith Brown: It is interesting that there is so little comparative evidence on the effect of different policies, whether for good or bad. If we are going to mitigate things, we should know whether that is having an effect, so it is a little surprising that that comparative evidence is not available.

On a different question, various points have been made about things that have had an impact. John Mills mentioned a further £1 million going to

other services to try to deal with the situation, as well as proposed changes to the housing revenue account. We also heard an example of what is happening in Dundee. We have heard about the impact on other services because of what might be termed the shortcomings of universal credit or the problems associated with transitioning to it. All that seems to be adding a lot of complexity and expense to the system.

On the other side, we have the benefit cap, sanctions and a couple of other things that Jeremy Hewer mentioned, which seek to push down the cost to the taxpayer, yet those are having the effect of increasing the costs that are associated with dealing with the system. Those costs are falling on different public bodies, whether that is councils or the Scottish Government. Does any of the panel members have a comment on that?

Jeremy Hewer: On your original question, I was going to say that I have the opportunity to swap notes with the federations in England, Wales and Northern Ireland and to meet with social landlords from England. They are envious of the provisions that we have here. A positive impact has been made.

Sorry, but what was your second question?

Keith Brown: It was about the costs of trying to deal with the change in the system and where they are falling.

Jeremy Hewer: I would love to be able to quantify that. Inevitably, there have been increased costs for social landlords, either through the direct provision of more financial inclusion and welfare support services or through the need for increased provision for bad debt, which is also a hit on the budget. I think that, in a previous meeting, when the committee heard from Bill Scott of Inclusion Scotland, he coined the phrase that it is cost shunting rather than cost saving. There is a lot of that.

The National Audit Office report on universal credit that came out in June last year showed that the unit costs for universal credit are still pretty horrendous and are nowhere near the target figure. I am sorry to go on about this but, until the DWP has the systems in place to underpin the administration of universal credit, it will continue to be costly. It is costly to do the initial process and costs are also involved in rectifying the errors that come up, such as mispostings and money going to the wrong landlord. We hope that those issues will be cured when the DWP has improved systems, but it would be nice to see those systems in place.

John Mills: We are collating evidence on the additional costs that are caused by the implementation of universal credit and the pushing of costs from central to local administration. Highland Council has already done work on that. I

mentioned the issue with the HRA, and I reckon that the additional costs since the implementation of universal credit are £3.5 million. As well as the costs for council services and housing services, there will be knock-on costs for the voluntary sector and other services, because they are being more skewed towards helping people as a result of universal credit implementation. We will be writing to the DWP and saying, "Here's the bill." We are quite clear that that additional cost should not be borne by council rent payers or council tax payers, and it is an important issue that we certainly want the committee to be aware of.

As far as homelessness is concerned, I do not know whether the committee is aware of or has looked at "The homelessness monitor: Scotland 2019", which was published just a few weeks ago. It contains a lot about welfare reform impacts on vulnerable households and the additional costs that local authorities and partners are having to meet to sustain those households in whatever accommodation they are in and to try to transition them to accommodation that is more settled. There are a number of impacts in relation not only to direct costs to tenants and council tax payers but to costs that we have not yet evidenced as a result of supporting vulnerable households to prevent them from becoming homeless. The issue must be looked at as a whole, in terms of not just the human costs but the financial costs that arise.

Keith Brown: I am interested in the point about the unit costs, because those costs and the increasing complexity seem to be at odds with what universal credit was meant to achieve.

John Mills: I do not think that this will be a controversial comment, but our formal position in Fife is that housing costs should be taken out of universal credit, and that is the position of the Association of Local Authority Chief Housing Officers—in other words, the heads of housing. The question is: should we try to improve a system that is really difficult to improve and which is not simple—it is, in fact, complex—or should we just revert to housing benefit support, which is locally administered and allows us to sort out a lot of issues locally through good joint working between housing associations, councils and the local Jobcentre Plus? Of course, housing benefit has not yet been devolved to Scotland, but that is another argument.

The Convener: I apologise, but given the time constraints that we are under, we cannot really have a discussion about taking housing costs out of universal credit, which I note is covered in your written submission. However, you have put your position on the record, and we should gauge whether the other witnesses agree. Again, I am sorry that, because of time constraints, we cannot let you expand on your views, but do you agree

that housing costs should be taken out of universal credit?

Julia Mulloy: Yes.

Jeremy Hewer: Yes.

Paula Doherty: Yes.

Gail Ward: Yes. Highland covered that in a submission to the secretary of state.

The Convener: All five witnesses support such a move.

There are a couple of issues that we did not get round to this morning but which we should mention. Perhaps I can get a brief response from you now, or you can come back to us later on them.

First, Mr Mills mentioned the on-costs elsewhere. In previous evidence sessions, we have explored concerns about the cost of temporary furnished accommodation for those who are looking for pathways out of homelessness into permanent accommodation. For example, there is concern that in-work homeless people, in particular, are being almost priced out of the market by the apparently punitive costs of such accommodation. The committee cannot understand why it is so significantly expensive, especially when the costs of putting furniture into storage are added on. I am aware of constituency cases involving families who would rather suffer serious overcrowding and sofa surf with other family members instead of taking up a temporary furnished solution.

I cannot give you the opportunity to respond just now, but any observations on that would be welcome. After all, these costs are being picked up somewhere in the social security system, be it by local authorities, the Scottish Government or the UK Government, and we just wonder whether there are better ways of doing this. There is a lot of money in the system that I do not think is always being used effectively, and any information that you can give the committee regarding that will be very helpful.

We heard from the City of Edinburgh Council about its use of discretionary housing payments and how in some cases it will make year-long awards, because it feels that it has a sufficiency of funds. The committee feels that the situation with regard to sufficient funds probably varies across the country and depends on where people live. I can allow you to briefly put on record your thoughts on the funding situation in relation to DHPs. You do not have to, but we would find it helpful.

Gail Ward: Do you want me to comment on temporary accommodation or DHPs?

The Convener: If you have any comments about temporary furnished accommodation, you can send them to us later. However, for the sake of consistency with regard to the questions that get asked at each evidence-taking session, it is important that I get you to put on record your views on DHPs. That would be helpful.

Gail Ward: DHP funding has to be increased to mitigate certain issues. Putting the bedroom tax to one side, we are looking at everything on a case-by-case basis, and some applications for temporary accommodation are not being given an award when perhaps they could be, simply because we are too busy mitigating other welfare reform changes.

The Convener: Thank you. I do not expect you to expand any further; we just have to get a balance of evidence. One local authority suggested that it had a sufficiency of funds, but the situation will vary across the country.

John Mills: There is absolutely no flexibility in our application of DHPs. They are used mainly to mitigate the bedroom tax.

Julia Mulloy: I would rather come back to you on that question, convener.

Jeremy Hewer: DHPs, along with housing benefit, have done a wonderful job in mitigating the bedroom tax, but probably at the expense of being something of a cuckoo in the nest and shoving aside all the other things that such payments might be needed for. The sooner that the bedroom tax can be mitigated at source, which is what the Scottish Government is hoping that the DWP can do, the better.

Paula Doherty: My manager also manages homelessness in Dumfries and Galloway as the stock transfer landlord, and we utilise the DHP regulations to support customers more widely in order to prevent homelessness. I think that that is quite a local position, and it is generally funded by the local authority. Obviously that comes at a cost, because the money that is paid through discretionary housing payments is a cost in itself, but it is, we hope, a spend-to-save measure to ensure that the people in question do not end up in temporary accommodation, which also comes at a cost to the local authority.

The money that we have can be sufficient, but the local authority is cash strapped, and more would always be helpful. Using discretionary housing payments more widely has an administrative cost, because the cost of administering a DHP for a universal credit customer is significantly higher than administering it for a housing benefit customer.

The Convener: Thank you. I know that I have thrown two quite substantial issues at you in the

dying seconds of an evidence-taking session, but I just wanted to get something on the record.

I thank all our witnesses for their contributions. Please keep in contact with the committee, please feel free to send us any additional thoughts or evidence and please stay up to date with our inquiry. We will keep that relationship going.

We now move on to agenda item 4, which will be taken in private.

11:12

Meeting continued in private until 11:31.

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