



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 5 November 2013

Session 4

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.scottish.parliament.uk or by contacting Public Information on 0131 348 5000

Tuesday 5 November 2013

CONTENTS

“THE ‘BEDROOM TAX’ IN SCOTLAND”	Col. 1035
--	---------------------

WELFARE REFORM COMMITTEE
17th Meeting 2013, Session 4

CONVENER

*Michael McMahon (Uddingston and Bellshill) (Lab)

DEPUTY CONVENER

*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

COMMITTEE MEMBERS

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

*Linda Fabiani (East Kilbride) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Ken Macintosh (Eastwood) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

COMMITTEE SUBSTITUTES

Jackie Baillie (Dumbarton) (Lab)

Kenneth Gibson (Cunninghame North) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor Ken Gibb (University of Glasgow)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

Committee Room 3

Scottish Parliament

Welfare Reform Committee

Tuesday 5 November 2013

[The Convener *opened the meeting at 10:00*]

“The ‘Bedroom Tax’ in Scotland”

The Convener (Michael McMahon): Good morning, everyone, and welcome to the Welfare Reform Committee’s 17th meeting in 2013. I ask everyone to switch off mobile phones and electronic devices.

Agenda item 1 is on “The ‘Bedroom Tax’ in Scotland”, which is a report that the committee commissioned and which was published on 19 October. I invite Professor Gibb to make an opening statement about his research and I will then invite questions from members.

Professor Ken Gibb (University of Glasgow): Thank you for the opportunity to make a few introductory remarks.

In the summer of 2013, I was given the brief of finding out what we know so far—and, implicitly, what we do not know—about the impact of the underoccupation charge that was introduced for working-age social tenants in April 2013. I reviewed the academic, policy and practice literature. I endeavoured to collect data from the different sources that were available. With the agreement of the clerk and the convener, I interviewed a small sample of social landlords from different settings across Scotland. I then pulled all that information together to produce a few conclusions and recommendations.

I do not want to repeat what is in the report, but I will say a little about its principal findings. First, in May 2013, the underoccupation charge affected about 82,500 tenants and cost them an average of £50 per month. Four in five of those households appear to include a disabled adult and 15,500 of them consist of families with dependent children. However, as I repeatedly stress in the report, those figures are constantly changing and are inherently dynamic, so we need to be cautious in talking about the overall numbers.

Secondly, although the number of people who are in arrears and the level of those arrears are quoted in the report, those figures are dynamic and are subject to change. That is due not least to the changing number of people who face the underoccupation charge, but it is also due to the snapshot nature of the data from which the figures are captured. In addition, the impact of discretionary housing payments is still to come; that will reduce the arrears.

Thirdly, it is inherently difficult to pin down the precise number of people who are seeking to downsize to smaller homes to avoid the charge, and it is not easy, simple or straightforward to estimate the number of smaller-property vacancies that come on to the market. Moreover, many of those properties have other demands on them, such as housing the statutory homeless and catering for medical needs. Therefore, it is difficult to calculate the numerator, which is the number of households that want to downsize, or the denominator, which is the flow of suitably sized vacant properties coming into the system.

Fourthly, the evidence from the literature and qualitative evidence from landlords suggest that many underoccupiers do not want to move. The combination of family, friends, support networks and the lack of alternative housing solutions makes them want to stay in their current home.

Fifthly, landlords stressed the wide variety of experiences and contexts and the differing capacity to absorb the impacts of the charge. That is particularly the case when we look across differences that are to do with urban and rural housing systems, with high-demand and low-demand labour markets and with the council housing sector and the housing association sector. Landlords told me that single people and those with illnesses are principally exposed to financial hardship and that discretionary housing payment mitigation will be essential for such people.

Sixthly, landlords expressed concerns about the future, and particularly about the end of direct payments and the changes to disability living allowance. When local housing benefit is no longer administered by councils, the financial information relationship that has existed between councils and recipients of that benefit will end. Therefore, landlords stressed the importance of investment in money advice and the development of budgetary skills and financial inclusion more generally.

The report makes a number of recommendations that flow from those findings, including recommendations on the importance of continuity in discretionary housing payments and on the importance of improving the quantity and quality of data collection. We need to be able to match property vacancies by size to the households that need to downsize, so we need more work on that; I know that parts of the Government are looking at that. In addition, there clearly needs to be a significantly greater commitment to investing in money advice, financial inclusion training and budgetary skills. Given the broader political context, the evidence suggests that caution should be exercised—certainly, there should be further consultation—before considering blanket forgiveness of arrears

or ruling out completely evictions for arrears. I am sure that we will talk about that in more detail.

I stress that the introduction of the underoccupation regime has been difficult to track and hard to monitor and assess because we have relied on different snapshots of information, freedom of information requests, sample surveys and regionally based studies. All those deal with one point in time. Although we can talk reasonably about the body of evidence as a whole, we should be clear that this is interim evidence—it is still early days—and that we know much less about the behaviour of people or how they respond as individuals. That is precisely why the qualitative evidence was quite useful.

A final point is that this is a very live issue. Since the report was sent to the committee in October, there have been a number of other studies and reports: a University of York study, which tested the assumptions of the Department for Work and Pensions about the savings that can be made from the underoccupation charge; the Scottish Housing Regulator's study on arrears; a study by the Grand Union Housing Group; a report on arrears by North Lanarkshire Council; arrears research by the BBC that was published yesterday; and many other relevant news stories and items. That all goes to show the currency and saliency of the underoccupation charge, but it also flags up the genuine difficulty of providing an accurate picture in such a rapidly moving scene.

The Convener: Thank you, Professor Gibb. I found the information in your report enlightening and challenging. The report shows that we have a lot of work to do if we are to understand completely where things are and where they are likely to go.

Before coming to my colleagues, I will ask a question that you might not be able to answer. Is there a correlation between the allocations for discretionary housing payments by local authorities and the likely demand in their areas? For example, North Lanarkshire Council, which covers the area that I represent, has maximised the amount that it will make available for discretionary housing payments, but not all local authorities have done so. Given that North Lanarkshire Council is the biggest social landlord in Scotland, it is likely that it would need to maximise the DHP. Is there less demand in some areas? Is that why some local authorities have not maximised DHP availability?

Professor Gibb: I spoke to only three council landlords in any detail, all of which were trying to make the maximum use of the DHP. They focused more on the problems of engaging with hard-to-reach tenants.

We can imagine that, because of its size, North Lanarkshire Council would make the efforts that it appears to be making, but the smaller council that I spoke to seemed to be making the same commitment to use the DHP as effectively as it could, albeit on a much smaller scale. That council saw the DHP as a way of significantly tackling one problem, so that it could manage the rest of the problems as well as it could.

Councils take a view on what strategy to take, but they have also done a lot of mitigation work beforehand, such as meeting individual tenants and identifying the people who are most at risk. To some extent, how effective councils have been at that will shape how they use the resource.

A problem that I always raise is what else the DHP might be used for. It strikes me that many private tenants also face financial problems, but we are so focused on the underoccupation charge that other groups of people might be losing out.

The Convener: You might not have had the time or the capacity to get into all this, but is there any indication of any sort of “Can't pay, but wouldn't pay whether or not we could” campaign? This is not like the poll tax, which people chose not to pay even though they could afford to do so, but some people who are subject to the bedroom tax seem, regardless of the circumstances, not to be engaging with their local authority because they are not prepared to accept that they need help or because they do not want help.

Professor Gibb: That seemed to be the tenor of the BBC piece that was broadcast yesterday and that is certainly possible. Council officers might be experiencing that, but I do not know whether they are inferring that or whether they know it for a fact.

The landlords that I spoke to did not really have examples of what you describe, but they had instances of people appealing against the charge. In at least one case, the landlord was giving some help. However, I do not recall any flags being raised about people actively practising civil disobedience or anything like that.

Alex Johnstone (North East Scotland) (Con): I will cover some of the ground that Professor Gibb covered in his opening statement. Without giving too much credit to the BBC, I will reflect on some things that it said yesterday.

The BBC highlighted that a number of local authorities have run up substantial arrears but, to give the story some balance, it also mentioned that some local authorities appear to be doing rather well so far. For some time, I have been interested in the geographical differences that exist, given that some local authorities have different experiences from others. Those

differences are becoming plainer and easier to see, but I am concerned about why they exist.

For a start, substantial levels of funding have been made available through discretionary funds, which should—at least in theory—be available across Scotland on the basis of need. Is there some failing in our understanding of need that causes that resource to be inappropriately distributed?

Professor Gibb: That is an interesting question. It is always challenging to answer the question whether resource is being allocated in exactly the same way as we might objectively measure need. We could always debate that point.

The significant point is that it is still too early to know whether the discretionary housing payments are being used as effectively or as optimally as the allocation suggests. The landlords that I spoke to said that they were working their way through the process of getting people to sign up for the DHP. They said that they were ensuring that the people whom they prioritised as having the most urgent requirements were getting the DHP.

However, it is not clear whether that can be done relatively quickly in a rural area with a relatively small catchment area and whether a much bigger investment is needed for larger urban areas. Perhaps North Lanarkshire Council has put major investment into the issue. Like many of these things, that is an unfolding matter that will become clear as we go through the financial year.

Alex Johnstone: So we simply need to wait and see.

Professor Gibb: I think that we do.

The situation is partly because of the discretionary nature of the payments and the relative autonomy that local government has in the matter. Local authorities are pursuing their priorities and strategies. As organisations such as Shelter have said, there is a question about how to monitor, evaluate and assess local authority performance, standards and ways of operating. Local authorities seem to have quite a lot of autonomy and they are obviously concerned about the issue, but at this point it seems that we will have to wait and see.

Alex Johnstone: You mentioned North Lanarkshire Council, and I suppose that I should apologise to it, as I am going to talk about it as well. I am keen to emphasise that I do not wish to criticise the council, but the information that became available about it informs the debate, so the principles that are at play are worthy of discussion.

North Lanarkshire Council said early that there would be no evictions as a result of the bedroom tax. Subsequently, it announced substantial levels

of non-payment of the underoccupancy charge and growing problems with the non-payment of rent, or rent arrears, across the board. Were those two things related?

10:15

Professor Gibb: They might well be, although evidence from other councils suggests that that is not necessarily the case. For example, I think that Stirling Council made a similar commitment—I might be wrong on that—but I am not sure that it has had a significant increase in arrears.

As I said in the report, I have concerns about simply saying to people that there is a class of arrears that does not matter as much as other arrears. I worry about that in the longer term, particularly with the roll-out of universal credit and the end of direct payments. We should be a wee bit cautious and think about the implications, as there might be dangers in saying to some very vulnerable people that some classes of arrears are not as important as others. Ultimately, that is a political choice, but we should reflect on that.

Alex Johnstone: In the information that has been made available, there seems to have been a fairly quick rise in arrears in North Lanarkshire but a relatively low take-up of resources, such as discretionary housing payments, that were made available to alleviate the problem. Do you think—I am choosing my words carefully and I do not want to give the wrong impression, so when I use the word “political”, please try to understand that in the broader sense—that the political environment that existed in North Lanarkshire Council in the earlier part of this year influenced more people to choose to go into arrears rather than seek the assistance that was available?

Professor Gibb: Although I am a North Lanarkshire resident, I do not know enough about the ins and outs of the political environment there. For the reasons that I have suggested, I would have been cautious about making the kinds of commitments that have been made. It is also important to remember that people other than working-age social tenants might face problems in the current welfare reform environment. I will say no more than that, as I do not know enough about the political environment.

The Convener: I will just point out that North Lanarkshire Council must be confused this morning, as the First Minister has accused it of being the first local authority to try to evict someone because of the bedroom tax, while Alex Johnstone is telling it that, by choosing not to evict people, it is causing its arrears to increase. I am sure that the council must be as confused as I am.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): As a North Lanarkshire MSP, I have my

own perspective on how early the council announced its no-evictions policy.

In Professor Gibb's paper, in table 4.5—the heading is “Clearing the Backlog of Under-occupants”, which I presume picks up the United Kingdom Government's terminology of “underoccupation”—it is interesting to see that it is estimated that, if we take into account how many one-bedroom lets are available, it could take more than three years to rehouse those who are affected by the underoccupation penalty or bedroom tax. In North Lanarkshire, which includes my constituency, the table suggests that that would take 5.27 years. Clearly, that is a long time for people to wait to be rehoused. Will you talk us through the methodology involved in coming to those figures?

Professor Gibb: The figures represent a fair effort to understand what is going on and were provided by colleagues in the Scottish Parliament information centre. However, I am not really satisfied with any single effort to understand what the downsizing or backlog period is. What is good about table 4.5 and the methodology that SPICe used is the attempt to understand the allocation of households to different property sizes and to relate that to the vacancies that arise. That is incredibly difficult to do, even with quite old data—some of the data comes from 2009-10.

A lot of things are going on in there, so I certainly would not want to go to the stake on it. I have said elsewhere in the report that the backlog period might take up a much broader band, which could be as much as 10 years in some circumstances. It is really difficult to work out.

The report provides what might be called an upper-bound estimate, as it makes no assumptions about behaviour. For example, a striking fact in the qualitative evidence and in some of the other literature is that folk often have strong pull reasons not to move. The report provides an upper bound in saying that, although the potential turnover of smaller properties would achieve the desired outcome, the reality will probably be very different. Again—I am sounding like a broken record—we need to have really good evidence on the shape of vacancies and the shape of the households that are moving.

Another issue that is not really touched on is what we might call the chain of moves that follow on. For example, as someone frees up a two-bedroom property, someone in a three-bedroom property can move into it, so all that goes on. In addition, there is a bunch of older underoccupiers who are not of working age and who many studies suggest form a much bigger proportion of tenants than people of working age do. How older underoccupiers are accommodated and how much

underoccupation is left among the people who are in longer-term housing are also issues.

Rather than being specific about the methodology, my general point is that it is quite difficult to understand what might happen. The Chartered Institute of Housing and the Department for Work and Pensions have talked about an aggregate of four to five years to clear the backlog, but a Scottish Federation of Housing Associations study, which used a sample, suggested that that would take quite a bit longer.

A look at the crude SCORE—Scottish continuous recording system—data, which gives a breakdown of new lets, suggests that a good proportion of people, such as homeless people and those whose medical needs mean that they must be in a ground-floor flat, would probably have prior call on one-bedroom properties. That would further reduce the volume of one-bedroom vacancies and extend the period for downsizing.

Jamie Hepburn: So the estimate that it would take three years to rehouse those affected by the bedroom tax could be quite conservative. That suggests that the UK Government's statement that those who are affected could just rehouse themselves is quite a blithe assumption.

Professor Gibb: I might not use that language, but it is a strong assumption. It is an aggregate assumption that does not break the thing down.

Jamie Hepburn: You mentioned that the pull factor, which encourages people to stay in their existing home, might be stronger than the push factor of the bedroom tax. That is an interesting point, which you also touched on in your opening remarks. Can you talk a little bit more about how you have come to that position? What are the pull factors?

Professor Gibb: A number of things seem to be going on. Especially outside of cities—in towns and in more rural housing communities—it seems to be the case that people have developed their own support networks of friends and family. They have social capital bound up in where they live, which is where they are used to being. They have also been on a kind of housing journey over their lives, whatever generation they come from, so they expect at least not to go backwards in terms of the quality of housing that they consume. In addition, over time, they have been allocated housing of a certain kind, which may be with an extra bedroom, so they have established a home on that basis.

When people are confronted with the alternative of downsizing, in a rural area there may simply be no one-bedroom properties at all, or they may be in a different community altogether, so people would need to go from one part of the Highlands to another or from one island to another. That is quite

different from moving from one part of the city of Glasgow to another, although even that kind of smaller challenge is a big challenge for many people. That became apparent from talking to landlords in rural areas, but it also came through in more urban areas that people have built up a sense of community, which they want to protect.

Some rural landlords made the point that, given that some rural communities are obviously very fragile and small, this process of fracturing the existing community has other risks, too. Those are the kinds of issues that landlords related to me, which I think are also found in some of the literature.

When I started thinking about the work, I was of the mind that there would be some difficulty with and resistance to downsizing, in large part because of how social housing has been allocated for the past 20 or 30 years. In the name of progress, we had got rid of small properties as a class, which puts these people in a very difficult situation. There is a lack of obvious housing solutions for them unless they are willing to downsize seriously or to change tenure, and a lot of people are not. In addition, we assume that there will always be a private rented sector out there, but there may not be.

Jamie Hepburn: You said that people have established homes; where they live is not just bricks and mortar. It is not a commodity—the UK Government may think that housing is a commodity that they can shove people into, but those people's houses are their homes.

Professor Gibb: Yes, they are homes, and there is a neighbourhood and all the other attributes that go with that.

Linda Fabiani (East Kilbride) (SNP): Some of what I wanted to ask about has been covered, but I have a few issues to raise that relate to housing practitioners.

I was intrigued by the final sentence in paragraph 85 of your report, in which you highlight the irony that much of the learning that will be

“delivered as a result of implementing and dealing with the consequences”

of the bedroom tax

“will in part be lost by the very nature of succeeding welfare benefit reforms.”

Can you expand on that?

Professor Gibb: Certainly. That relates to the idea that, because local authorities are administering housing benefit on a statutory basis, they are dealing directly with tenants and have built up relationships with benefits-eligible tenants. They have a direct line to talk to them about budgeting and financial issues.

As part of the mitigation strategy, which goes back more than 18 months, many of the social landlords—councils and housing associations alike—have been working hard and building up knowledge about their current body of tenants, and about good practice. It is clear from the Institute of Housing, the SFHA and others that a lot of good practice is being shared on management of arrears in such situations. The point is that all that expertise will become redundant quite quickly once we move to the universal credit system and those landlords no longer have direct relationships with their tenants. Moreover, the landlords will have to build new relationships with tenants, and will have to keep on doing that. There will be a completely different type of customer relationship to that which they have been used to.

We are not buying and selling commodities—landlords are trying to help people to make better financial decisions. Obviously that is to help people to pay their rent and so on, but it also enables them to budget more effectively.

It is ironic that, in the determination to try to improve people's welfare—which is, after all, what reforms such as universal credit, which has some elements of merit, are supposedly trying to do—one of the important sources of information and knowledge that oil the system will be lost.

Linda Fabiani: Thank you for that. It takes me back to the earlier discussion on paragraph 75 of your report, in which you say that

“it was not always possible to identify accurately arrears from the ‘bedroom tax’ as opposed to other pre-existing or otherwise new arrears.”

I would be interested to hear a wee bit more about the sheer impossibility for some practitioners of identifying such arrears, especially if the practitioner is a large landlord.

Professor Gibb: A lot of the work on arrears seems to be based on assumptions. One assumption is that if people were not in arrears the day before the financial year started but have moved into arrears, and those arrears equate to their rent loss, that is straightforwardly related to the underoccupation charge. That will probably be true in 90-odd per cent of cases: not always, but almost always.

The problem is what happens to people who are already in arrears and who then add to their arrears because of the underoccupation charge. There are a lot of other intervening variables. For example, some people will move in and out of arrears, or will be in arrears very briefly and then move out, or will find themselves technically in arrears.

Some landlords that I spoke to found it relatively straightforward to work it out, because they had a

small base of tenants or clients to whom the issue applied. However, the bigger the housing stock, the harder that is, because there is more variety in rents and circumstances and a more volatile situation with more churn. For a sheriff who is confronted with a case of arrears, it is not always straightforward to decide what are the underoccupation arrears and what are the other arrears.

10:30

Linda Fabiani: I had not thought of it from a sheriff's point of view, but you say that the issue of identifying arrears goes all the way through the system, from the person who is charged with arrears management having to make that decision, to further down the line when a case gets to court.

Professor Gibb: As I said, one of the most striking things in the past couple of years has been the level of proactive arrears management that landlords are taking on. They have obviously learned an awful lot and they are doing good things. To be positive, part of the reason for the situation with discretionary housing payments might be because other ways of solving the problem are being found, such as mutual exchanges.

Linda Fabiani: Recommendation 5 in the executive summary suggests that

"caution should be exercised ... before considering blanket forgiveness of such arrears."

Was that statement informed by what you learned about arrears management?

Professor Gibb: Yes. There is a technical issue about what the arrears are and how they change over time. For instance, there might be an issue about someone's previous arrears and how their behaviour was influenced by the fact that they were already in arrears. Another issue might be the way in which their landlord is working with them to try to reduce the arrears. As I said earlier, in making such a commitment, there is a longer-term worry about behaviour in the context of, for example, the end of direct payments, so it seems that landlords would be making things more difficult for themselves. Again to be positive, in most cases that I am aware of, landlords work hard on a case-by-case basis to understand the nature of people's financial problems and they do everything that they can to resolve the issue. That more tailored, customised and hands-on approach seems to me to be better than having a simple across-the-board rule.

Kevin Stewart (Aberdeen Central) (SNP): I want to go back to some of the points that Jamie Hepburn raised. For me, one of the most interesting aspects is the number of one-bedroom

lets that are available across the country. You said that vacancies in the market are a bit sporadic. Do you have, or have you been given, any idea of how many of the available one-bedroom properties are either amenity or sheltered accommodation, rather than mainstream accommodation?

Professor Gibb: The numbers that I looked at related to the housing association sector and the SCORE—Scottish continuous recording system—data, which is reported in chapter 4 of the report. The great majority of properties—in fact, almost all of them—are general-needs housing, so we are not talking about special lets of one kind or another. However, as I said, an elderly resident with mobility issues, for example, would get priority for a ground-floor property. So, although the properties are not special lets, that does not change the fact that a large proportion of the one-bedroom vacancies—maybe half—are not available for downsizing purposes because we have other commitments in Scotland. For instance, England does not have the same statutory requirement to house homeless people, so there could be a focus on downsizing in England in a way that we could not do in Scotland because we are seeking statutorily to house homeless people.

Kevin Stewart: Would it be fair to say that, in terms of local authority housing, a large number of the single-bedroom properties that local authorities have on their books are set aside for amenity or sheltered purposes?

Professor Gibb: I am not absolutely sure, to be honest. I thought that you were going to say that they would be set aside for homelessness, which I think they probably would be. It will depend on levels of need locally and the kind of provision that there is. Housing associations have nomination agreements, so often half of all the properties that become vacant will have to go to whomever the local authority puts through, which would be homeless people.

Kevin Stewart: I will touch upon some of the past housing policy in Scotland, which I do not think has been taken into account. First, I would like to give an example from Aberdeen. At one point, when there were a large number of voids in certain areas, those areas were designated as housing initiative areas and people were given houses that were bigger than they required in order to ensure that the properties were filled. For a long time, one-bedroom properties did not feature very highly in housing strategies across the country. In many areas we have had the homes for life initiative, which lots of people supported. That initiative ensured that homes were adaptable when things happened to families and to individuals. Have those issues come up in your

research? Have folk said that the bedroom tax has been a complete volte-face in housing policy here in Scotland? What have they had to say about that volte-face?

Professor Gibb: That is entirely right. That is the context in which this discussion takes place and that is the starting point for many housing professionals. For several decades, the direction has been to grow the average size of a social housing unit in general needs terms, so there has been a reduction in the supply of one-bedroom units. Now, in several places social landlords are buying up one-bedroom properties off the shelf because they do not have any or do not have anything like enough. As Kevin Stewart said, that reflects a succession of policies that have moved us away from that spread of properties.

However, we still often hear people say that there are not nearly enough larger properties, so there is a bigger mismatch between property and households, people's aspirations and—up until April—the aspiration that Governments seem to have shared for a long period that properties were going to be bigger.

Kevin Stewart: Given what you have just said about local authorities going out and trying to buy one-bedroom properties on the hoof, if you like, do you think that such a response to a crisis is a good way of dealing with housing policy? Has the fact that the Westminster Government has sprung the bedroom tax on people with its very quick implementation caused chaos in terms of housing provision in Scotland?

Professor Gibb: I guess that people had a couple of years to get their heads round the fact that it was going to happen.

I do not think that it is necessarily bad policy to try to buy properties off the shelf—it is quick and cheap. It is quicker than building one-bedroom properties, which would probably take three or four times as long. If you have the resource and it seems to be a good use of scarce resource, it is maybe not such a crazy thing to do. You need to look at each case on its merits.

Kevin Stewart: I understand where you are coming from, but at the same time you said that there is a shortage of larger properties—

Professor Gibb: That is what we are being told.

Kevin Stewart: I am sure that colleagues round the table will have experienced such a shortage. Will the rush to get new one-bedroom properties mean that there is less chance of more large properties coming into the system, which means that overcrowding will continue in a number of areas?

Professor Gibb: That is the corollary. If resources are diverted into smaller properties,

they are not going into building bigger units. This is generally quite a difficult area, though. I have been banging on about the lack of clear information on vacancies and one-bedroom units, but there is also a lack of reliable information about overcrowding, which is the other side of the coin. If there is a housing reason for the policy, it is that there is overcrowding in parts of the system. It is evident that there is overcrowding in some pressured markets—there is no escaping that—and that there is overcrowding in pockets of other areas. What little evidence there is, though, includes a study on Merseyside that suggests that underoccupation is a much bigger problem than overcrowding and that the two things can exist alongside each other.

Following Kevin Stewart's line about the HIAs, if over time we have put single people into bigger properties because the properties are void, there will be underoccupation in that sense. However, that does not mean that there will necessarily be overcrowding somewhere else—there might not be. Again, it is an issue that needs to be addressed at local level through needs analyses and housing strategies, and by working out resources alongside that. However, it does not follow that there should be a national underoccupation charge, because there is not necessarily a national overcrowding problem.

Kevin Stewart: That is why we had local housing strategies; it was to try to resolve such problems. A hole has been blown under the waterline for the underoccupancy charge, as the Government would call it, or the bedroom tax, as I would call it. Would it be fair to say that that is the case?

Professor Gibb: That is an interpretation of it, but I do not think that strategies have been blown out of the water, because they are still extremely valuable. However, they certainly face a new challenge.

Ken Macintosh (Eastwood) (Lab): Thank you for the report, Professor Gibb. Before I turn to the policy's impact, which is our main focus, I note that the drivers of the policy have been to try to make work pay to reduce dependence on benefits, and to save money. Did you look at the success, as it were, of the policy in achieving any or all of those aims?

Professor Gibb: As I said, it is still early days to answer such questions. However, certainly, landlords have said that there were instances of people getting work and coming off benefit. Again, who is to say that those people would not have come off benefit in any case because they were going through a cycle of being in benefit, then in work, then out of work and so on? Some people had come off benefit and gone into work, and had therefore resolved the underoccupation problem in

a way that the Government would perceive as being a success.

Some people have moved and downsized. However, one interesting point from the research that has emerged since the report was written is that, when people downsize, it does not necessarily follow that the Government will make savings. It depends how widely rents vary. If rents are relatively flat, as they often are in Scotland, a smaller property can mean a reduction in rent that is less than the reduction through the underoccupation charge. A saving could be made but not by as much as the charge, so a full level of saving is not necessarily made. There is an empirical question as to how much rents vary between the critical two and one-bedroom units, but it is often not by much.

Ken Macintosh: Clearly, the picture is so varied that it is difficult to draw any firm conclusions. However, it certainly appears from your conclusions on the pull and push factors for people that the policy is not having as much of an impact as the Government might have wished. It is less clear—to me or to anybody—that the policy is saving the sums of money that were perhaps originally intended but, from what you say, it seems difficult to draw firm conclusions about those other factors, too.

Professor Gibb: Yes. I would add that there is an opportunity cost that is not necessarily measured. All the landlords and many of the surveys that the Chartered Institute of Housing and others have done suggest that there has been a really big increase in the management costs for landlords and other providers and in costs for citizens advice bureaux and suchlike that are involved in responding to the policy. That is an opportunity cost that people are paying, be it tenants paying it through their rents, be it through public subsidy or be it a cost to third sector organisations. That cost should be accounted for and netted off against the savings.

Ken Macintosh: Indeed. Of course, there might be other costs associated with the particularly vulnerable group that is being targeted. Will there be a point at which the UK or Scottish Government will be able to indicate the success of the policy in terms of the UK Government's original intentions?

10:45

Professor Gibb: That is a good question. In a sense, we will need 12 months, because we need a run of vacancies and of people's decisions to change housing. On the other hand, to work out whether the policy has succeeded, more than anything we need to understand the behaviour of the people who are affected, and whether they have made the choices that the DWP hoped that

they would make—in relation to positive changes in the labour market or saving money on rent—as opposed to deciding that the cost is worth bearing because they want to stay where they are. We would have to take some views on that.

My strong conclusion about that work is that the behavioural issues that we really do not understand are the most important thing. I would not want to stand on the views of seven landlords on what is going on, however representative they are, but that is indicative, and it suggests questions that we need to look at more.

To go back to your question, we certainly need a year's worth of information. My slight caveat on that relates to the future of discretionary housing payments. We know that they will be substantial in year 2 as well as in year 1. The issue really is how many underoccupiers have been taken out of the system by solutions, relative to the number of people who are relying on the DHP.

Ken Macintosh: There seem to be two sets of behaviours. There is the response of the individuals concerned and there is the behaviour of local authorities, and the Scottish Government for that matter. From what you say, local authorities and housing providers have responded in different ways. Some have put more effort into seeking alternative accommodation. Most—wisely and sensibly, I would say—have focused their efforts on trying to alleviate the impact on individuals. That creates a difficult situation. The issue is to try to work out at what point those approaches might come together.

On the response of housing providers, local authorities and others to the issue of eviction and arrears, from what you say, there seems to be variation throughout Scotland in the policies that are being pursued. Is that right, or is there actually remarkable consistency? Do they all have similar policies when it comes to identifying and helping people in arrears and working out which ones are linked to the bedroom tax?

Professor Gibb: That is the espoused position—that is what people are saying that they are doing. There is a lot of networking and professional training going on. A lot of people are learning from practice, and everyone is speaking the same language. However, one cannot say that that leads to certain things going on on the ground. We would have to evidence that to be able to say that. However, it is what people are saying. A considerable additional effort seems to be being made. People are saying similar things and doing similar things to try to ameliorate the problems that their tenants or clients face.

Ken Macintosh: Is there any evidence that they have arrived at optimal solutions?

Professor Gibb: It is hard to say, but I would say no. There are certain circumstances in which people can achieve more, but that is because of the context in which they find themselves, so it is not an optimal solution—it is context specific. One approach is proactively to manage arrears and, in addition, try to tie that up with financial inclusion measures. A number of local authorities are trying to promote things such as employability measures to help people into the labour market. It is not as if local authorities are opposed to that; they try to make those things happen, too.

Ken Macintosh: They would want to do many of those things anyway.

Finally, given that the picture is so varied throughout the country, I am trying to work out whether the answer lies at a Scotland-wide level or whether we should focus more on local solutions. In other words, should we try to come up with a policy that we can apply across the board in every local authority or should we allow local authorities in rural areas or areas of high social housing or whatever to draw up different strategies and resource them accordingly?

Professor Gibb: That is the classic dilemma in housing and social security policy. Housing is inherently a local thing. We have always had a national social security framework, and housing policy is increasingly dependent on social security to pay back housing associations' private loans or to meet the needs of low-income tenants, for example. There is a real dilemma. We want to target resources at where the housing need is, but that is inherently funded by a national policy. I would be really worried about dismantling that national aspect. Unfortunately, both are needed.

Annabelle Ewing (Mid Scotland and Fife) (SNP): Good morning, Professor Gibb. I have a question that deals with wider issues. In the past months, the committee has looked at what I would argue are the more social engineering aspects of the policy. An example would be the scenario in which a non-resident father is seeking a residence order and there is not sufficient accommodation. There is a clear impact on family law in Scotland in, for example, the blithe encouragement to widows—who, I presume, have a right to a private life—to take in lodgers.

What are your thoughts on the appeals that are currently going through on the minimum-size-of-bedroom criteria and their potential impacts on wider housing policy in Scotland? I presume that there would be impacts. Everything has a cause and effect, and there would be impacts, including on the balance sheets or books of housing associations and therefore on their ability to go forth and borrow. Can you comment on that?

Professor Gibb: That is exactly right and is exactly what I was going to say. There are certainly concerns that, if bedroom definitions are changed, that will be for only one reason: to reduce the number of available bedrooms. That has rental implications. It will reduce the rental income that can be generated. That takes us back to how flat or otherwise rent structures are and the rental impact on properties.

It has been suggested that, in respect of housing associations in particular, private funders would take a dim view of that, as they would view it as basically a change in their covenant. I suppose that the terms of their loans are for one set of stock or property and one kind of security, and that would be changed. That would affect the rental income that would be generated, so it might lead to a refinancing issue. In the recent climate, refinancing has not really worked in housing associations' favour. Therefore, there are dilemmas. I am sure that landlords are aware of that dilemma and that they would not enter into those things without considering with their lenders the situation that they might be put in. The regulator would probably have a view about that, as well.

Annabelle Ewing: That is interesting. I understand that the first-tier tribunal decisions in the Fife cases are being appealed by the DWP, although I think that Fife Council is seeking to challenge the appeal going ahead. That was at the end of October; I am not entirely sure where we are with that at the beginning of November.

On the wider policy issues, I go back to your comments about how we would measure the success or otherwise of the UK Government's policy. If, in subsequent jurisprudence before the courts, changes can be made to the definition of what constitutes a bedroom, that could start to have impacts down the line, which could lead to funding impacts for housing associations, which could then affect the ability to create one-bedroom houses—it goes round and round. I presume that that element would need to be factored in when one is assessing the success or otherwise of the policy as a sustainable housing policy.

Professor Gibb: Yes. It is a matter of unintended consequences and the things that flow from a policy that have not been thought through. We do not really know yet how it will play out, but the most likely impact will be that rents will have to increase at some point to try to compensate. Some properties might be put into smaller size categories, but if people have to protect their rental income overall, they will have to increase the average rent to try to compensate, as far as they can.

Alex Johnstone: The thought crossed my mind that, if bedrooms throughout Scotland are

redefined as cupboards as a result of legal action, that might increase the number of one-bedroom properties, to our surprise. When a legal precedent is set and decisions are made, and if it turns out that those legal decisions stand, how big an impact will that have on the social housing sector in Scotland?

Professor Gibb: The short answer is that I do not know. The key question is: what is the potential scale of the replication of that kind of decision elsewhere? I simply do not know.

Alex Johnstone: Can I clarify or redefine the question slightly? If a legal precedent is set, will local authorities and housing associations throughout Scotland have to redefine the sizes of some of their properties in a wholesale sense?

Professor Gibb: Again, I am speculating, but I guess that it will depend on the position of individual landlords, the nature of their stock and the ways that they are already dealing with underoccupation, for example. That might not be relevant to everyone. However, I am guessing. I am not a lawyer, and I do not know.

Alex Johnstone: So that is another variable that we will have to factor in.

Professor Gibb: I am afraid so.

Ken Macintosh: Is any particular work being done to look at the impact on single people and the ill, and to measure the effect of the policy? Those are particularly vulnerable groups. Some single people might move back home. I do not know what will happen. Everyone has to worry about the impact of such a major policy on a vulnerable group such as the ill and the effect on their health, welfare and behaviours.

Professor Gibb: The report referred to a study by McCafferty. I admit that I did not look at that in detail, but it focused on that. The fact that such a large proportion of working-age social tenants have a disabled, ill or long-term-ill member of their household suggests that that is a critical issue on which much more work needs to be done.

The Convener: Thanks very much, Professor Gibb. The session has been helpful in allowing us to explore your findings so far and in giving us food for thought as we look ahead to what requires to continue to be done as we monitor the implications of the legislation. Obviously, had some of the variables that we have discussed been considered before the draconian legislation was introduced in the first place, we might not be sitting here talking about them. We look forward to considering those issues in future.

We have already agreed to take the second item on our agenda in private, so I close the public part of the meeting.

10:58

Meeting continued in private until 12:04.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

Available in e-format only. Printed Scottish Parliament documentation is published in Edinburgh by APS Group Scotland.

All documents are available on
the Scottish Parliament website at:

www.scottish.parliament.uk

For details of documents available to
order in hard copy format, please contact:
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@scottish.parliament.uk

e-format first available
ISBN 978-1-78392-039-6

Revised e-format available
ISBN 978-1-78392-053-2

Printed in Scotland by APS Group Scotland
