

House of Commons Work and Pensions Committee Inquiry: Benefit levels in the UK

Response from Propertymark

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Background

1. Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising over 17,000 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Overview

2. Given the high costs facing households across the UK, the Work and Pensions Committee are launching an inquiry into the adequacy of benefit levels in the UK, to help inform current and future UK Government thinking. They are also looking at the relationship between social security and the labour market. This inquiry focuses on working age benefits, but other benefits can be considered.

Adequacy of benefits

What 'essentials' should working age benefits cover and are benefits sufficient to cover these needs?

3. Working age benefits should cover the essential living costs for individuals or families who find themselves or members of their household currently out of employment or to top up employment for the low waged. Benefits should cover food, utilities, and any other costs to maintain a sufficient quality of life. Payments from housing benefit or the housing related benefit element of Universal Credit (UC) should be used to cover the cost of housing needs in the form of rent either in the social or private rented sector or in some cases mortgage payments. Propertymark believes that benefits should enable a tenant or homeowner to live in an area where they can find work, interact with family, or allow their children to continue their education. For this reason, we believe that reform of the benefit system is required to widen access to housing opportunities in an appropriate area as wide as possible for those in receipt of benefits.

Local Housing Allowance

4. Unfortunately, however, many people in receipt of benefits are excluded from some housing options in the Private Rented Sector (PRS) due to the inadequacy of Local Housing Allowance (LHA) rates. LHA is a flat rate allowance for tenants in private rented accommodation based on the size of a household and the area in which a person lives, which came into effect from April 2008. For those in receipt of UC or housing related benefit from legacy benefits and renting privately, the LHA rate is calculated on the claimants age, number of people they live with, rent levels in their area and other variables such as disability and care history. The claimant's postcode and the number of bedrooms they have is a dependent factor on LHA levels also. In essence, the LHA rate is designed to provide people with enough support through the benefits system to afford the cheapest 30 per cent of housing in an area, adjusted for household composition. With LHA having been frozen since 2020 and not keeping up with market rents, however, this is far from the case. LHA is also calculated in areas called Broad Rental market Areas (BRMAs), which are often made up of two local authority areas. BRMAs do not reflect market trends in small local areas and urgently needs reform to reflect local market trends.
5. In Wales, Research from the Bevan Foundation found that there is acute shortage of properties available to rent at LHA levels resulting in households being pushed into properties where there is a gap between their rent and how much they receive through benefits. This "rent gap" pushes households into financial hardship, with households forced to cut back on other essentials to find enough money to cover their rent.¹ In England, homelessness charity Centrepoint found that in 243 of the 247 local authorities where rent cost data was available, the lowest tier of housing benefit is not enough to pay for a room in a shared house – forcing young people to choose between rent and food.²
6. Propertymark are part of the Cover the Cost Campaign, which is a coalition of organisations calling for the UK Government to restore LHA rates to the thirtieth percentile and for these rates to be maintained to reflect market rates annually.³ For our recent budget representation to HM Treasury, we also called for the UK Government to restore LHA levels to the thirtieth percentile if not the fiftieth percentile and for these rates to be maintained annually.⁴ In Wales, Propertymark

¹ [Why the UK Government must take action to make the LHA fit for purpose - Bevan Foundation](#)

² [Housing benefit fails to cover rent in nearly all of England's council areas \(bigissue.com\)](#)

³ [Cover the Cost Campaign \(crisis.org.uk\)](#)

⁴ [Propertymark 2023 Spring Budget representation | Propertymark](#)

is also supporting the Homes for All Cymru Campaign⁵ which is a broad group of organisations calling for reform of LHA and Broad Rental Market Areas (BRMA.)

Are working-age benefit levels appropriately set to encourage people who are able to work into work?

7. We believe that more support could be given to work-ready tenants renting within the PRS. Many tenants who rent in the social sector have additional support from their social housing providers. This includes support in areas such as mental health, finding employment and managing their money including benefits more efficiently. Unfortunately, landlords who operate in the PRS often do not have the skills or capacity to provide similar support resulting in an unlevel playing field in support between those that rent in the social sector and those that rent in the PRS.

What lessons can be learned in respect of benefits provision more generally from the £20 uplift to Universal Credit, introduced during the pandemic?

8. Propertymark welcomed the £20 Universal Credit uplift as well as direct payments to mitigate against the cost-of-living crisis. These payments proved essential during the Covid-19 pandemic and the cost-of-living crisis which has taught us how vulnerable people in receipt of benefits can be during crisis. These crises do not have to be national crises but could be personal challenges such as losing a job, loss of health or illness or even having to care for a loved one can bring people into problems. We believe that local authorities are in the vanguard to support vulnerable tenants when they come into crisis through allocating Discretionary Housing Payments (DHP.) DHP can be awarded when tenants come into problems with rent arrears or any other housing related costs. While some local authorities have topped up their own DHP levels with additional funding, some local authorities do not allocate the provision of their DHP and subsequently must return the money to the Treasury. The experience of the UC top up is that this money and support is still urgently required and that local authorities must do more to engage with vulnerable people who need this additional support.

Designing benefits policy

⁵ [Homes for All Cymru Manifesto - Shelter Cymru](#)

Purpose of working-age benefits and what role does the benefit cap, repayment and sanctions have on the adequacy of benefits.

9. As mentioned in the previous question, we believe the purpose of working age benefits should be to support those in receipt with their living costs. According to the latest statistics from the Department for Work and Pensions (DWP),⁶ around 120,000 are impacted by the Benefit Cap with many renting in the PRS. The Cap impacts larger families greater especially those living in areas where rents are more expensive such as London and other large cities. While we welcome the fact that one off payment such as cost of living payments were not included in the cap, we are disappointed that benefit rates rose by 3.1 per cent in April 2022 but this was not reflected in the cap. Ultimately, we believe that the cap must be increased to reflect inflated costs for energy and food. Sanctions to claimants may be imposed if a claimant is deemed not to have complied with a work-related condition for receiving the benefit in question. Unfortunately, this can often lead to rent arrears and the tenant jeopardising their tenancy. We believe that this form of sanction should only be initiated as a last resort and that if a tenant is sanctioned, their landlord or letting agent should have the opportunity to act on their behalf in the mandatory reconsideration and in discussions with work coaches in to avoid future sanctions. Currently, landlords and letting agents are prohibited from such direct conversations with their tenant's DWP Work Coaches. However, with the permission of the tenant, we believe improved communication between agents and landlords with DWP officials could prove conducive.

What role could, or should, an independent body undertake in advising Government on benefit policy?

10. Propertymark has recently engaged with officials from the Department of Work and Pensions expressing the importance of re-establishing a forum of Private Rented Sector Stakeholders which was in formation prior to the Covid-19 pandemic. Stakeholders from the social housing sector continue to engage with the department, however, there is currently no such engagement with private housing stakeholders. The previous forum was fundamental in making recommendations on improving renting for tenants in receipt of benefits and acting as a conduit to key messages for private landlords. Improvements included the digitalisation of the UC47 form which rapidly improved the efficiency of managed payments. Discussions were very positive, and we reinforced the message that as we continue to see many claimants migrated from legacy benefits to Universal

⁶ [Benefit cap: number of households capped to February 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-february-2022)

Credit, that engagement between the department and organisations that represent PRS stakeholders is increasingly essential.

Work incentives

What impact do working-age benefits, such as Universal Credit, New Style Job Seeker's Allowance and New Style Employment and Support Allowance, have on work incentives.

11. We believe that working-age benefits have a largely positive impact on the incentive to work. Work allowances are a welcome incentive to those in receipt of UC who are also working and have a disability, health condition, children, or any other mitigating factor. We would recommend that the committee consider what support is given to those who have been claimants for a long period of time. These claimants may have skills that have been obsolete due to long-term unemployment, may require training for soft skills to boost confidence or require training to be ready for the modern employment market. Essentially, we believe providing training, boosting confidence, and tackling the root cause of unemployment is key to a well-functioning welfare system.

What role should contributory-based benefits play in the welfare system?

12. We believe that our members who are lettings agents, have an important role in passing on key messages to tenants who are currently on legacy benefits including contributory-based benefits, on the possibility that they could be financially better off if they migrate onto UC. We believe that case studies of circumstances where people would be better on UC than legacy benefits should be shared with landlords, but especially letting agents, who could advise their tenants to use independent benefit checkers.

Accessibility and administration

What aspects associated with the administration of benefits impact the adequacy of experience for claimants?

13. Propertymark recognises and appreciates the rationale behind making the award of UC similar that that of receiving a salary for employment. However, policy makers should give greater understanding to the fact that many people in receipt of benefits are vulnerable and poor at managing funds. This has had serious repercussions especially in the Private Rented Sector in

terms of the payment of rent. To ensure UC is adequate and more effective and landlords and letting agents have more confidence to offer tenancies to those receiving it, the UK Government should do three things. Firstly, giving tenants the option to have the housing element paid direct to their landlord. Secondly, allowing all UC claimants to choose whether to receive payment monthly or twice monthly to assist with budgeting. Thirdly, review the waiting period at the beginning of a claim and/or whether the advance would be more effective in the form of a non-repayable grant rather than a loan to help reduce rent arrears and the negative knock-on effects this can have for tenants and landlords.

What changes should be made to the administration of working-age benefits?

14. We believe that tenants should have the choice to have the housing benefit element paid directly to their landlord for rent. Some tenants have got themselves in serious rent arrears by failing to meet rent from their UC allocation and while some especially vulnerable tenants can have this option, we do not believe this goes far enough to support those who have difficulty in managing their money and direct payments should be the default option. To mirror the award of a typical monthly salary, people in receipt of UC are also awarded payment monthly. However, this can not only cause budgeting issues for some tenants who have insufficient skills in money management, but the wait for the five-week initial payment of UC at the beginning of a claim has got many vulnerable people into dept. To remedy these debt issues, the UK Government have allocated loans to mitigate against rent arrears and other payments. However, this simply prolongs debt for very vulnerable people, and we believe these loans should be converted into grants to end spiralling debt. Providers of social housing can communicate directly to the DWP on behalf of their tenants. We believe that professional property agents should be able to have a similar direct line of communication when things go wrong regarding UC such as if a tenant did not pay their rent. This could be an opportunity for those professional property agents who are suitably qualified or have certain accreditation.

Are there any groups who have been left behind in the design of working-age benefits policy?

15. The Shared Accommodation Rate (SAR) limits the amount of housing support available through the benefits system for most single private renters under the age of 35. These claimants, with some exceptions, can receive an amount to pay for a single room in a shared house with communal kitchen and bathroom facilities. We believe that those who are aged under 35 are most

likely to be economically active. Furthermore, this age group of young people are most likely to have been hit hardest by lockdown restrictions from the Covid-19 pandemic with many jobs commonly occupied by these age groups being heavily restricted such as work in food and hospitality. According to research from the Intergeneration Foundation, young people aged under 35 continue to be adversely impacted by the Cost-of-Living Crisis. In their report supported by the Yorkshire Building Society, under35s households spend close to two thirds (63 per cent) of their weekly expenditure on essentials and under-35 households in the bottom income quintile must devote over 70 per cent of their weekly expenditure budget on essentials.⁷ Due to these challenges facing young people, we believe the SAR should be at very least suspended. We welcome the decision to exempt care leavers from the SAR as a welcome starting point, but more needs to be done to support young people.

Scrutiny

16. We welcome this inquiry and would be delighted to engage with the committee in anyway appropriate to support them in their findings or any other subsequent work on welfare. We believe that the committee might wish to scrutinise the work of the Valuation Office Agency (VOA).⁸ Some of the VOA's core aims are to advise ministers on valuation, property matters and benefit levels and set the housing element of Universal Credit and set LHA levels for England. The work of the VOA is heavily dependent on the quality and amount of rental data, which can be submitted by both landlords and letting agents. We are working with the VOA to increase the level of data that agents submit as we believe that letting agents are in an advantageous position to submit large volumes of accurate data from their CMS systems. We also believe that it would be useful to investigate why agents and landlords appear reluctant to submit their data and if there is anything to make this process simpler and more effective. When data is submitted to the VOA, data is collected regionally within England, and it could be useful for the UK Government to publish levels of rental data by each region in order to understand which regions are having the most difficulty in engaging with landlord and agents.

⁷ [All Consuming Pressures: The cost-of-living crisis facing younger generations - Intergenerational Foundation \(if.org.uk\)](https://www.intergeneration.org.uk/reports/all-consuming-pressures-the-cost-of-living-crisis-facing-younger-generations)

⁸ <https://www.gov.uk/guidance/valuation-office-agency-and-housing-allowance>