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Levelling Up, Housing and
Communities Committee

Exempt Accommodation

Third Report of Session 2022–23

*Report, together with formal minutes relating
to the report*

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Levelling Up, Housing and Communities Committee

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Summary

This Committee and its predecessors have held dozens of inquiries into a wide range of issues over the years which have highlighted important and urgent issues. Therefore, it was surprising to have undertaken a piece of work that has shocked and alarmed us as much as this inquiry has. In short, we would describe the system of exempt accommodation as a complete mess. There are many good providers, but in the worst instances the system involves the exploitation of vulnerable people who should be receiving support, while unscrupulous providers make excessive profits by capitalising on loopholes. This gold-rush is all paid for by taxpayers through housing benefit.

Exempt accommodation—that is, accommodation exempt from locally set caps on housing benefit—is an important component of supported housing. Where exempt accommodation works well, residents are provided with suitable accommodation and support to which they may not have otherwise had access. Recently, however, notwithstanding positive developments in government policy in this area, increasing concern has been raised about the quality of provision of such accommodation, its very significant growth in some areas with an attendant impact upon local communities, its lack of regulation and governance of providers, and the exploitation of the system by people seeking to make profit from it—all of which led us to undertake the inquiry on which this Report is based.

Quality of exempt accommodation

It is clear from our inquiry that some residents' experiences of exempt accommodation are beyond disgraceful, and that some people's situations actually deteriorate as a result of the shocking conditions in which they live. Where the very worst experiences are occurring, this points to a complete breakdown of the system which calls for immediate action from Government. Areas with high concentrations of exempt accommodation can also attract anti-social behaviour, crime—including the involvement of organised criminal gangs—rubbish, and vermin, while neighbours and communities can be affected negatively as well as residents. These impacts risk undermining local support for supported housing.

Two years after the Government published its National Statement of Expectations on the quality of the housing element of exempt accommodation, there are still landlords providing unacceptably poor housing. We welcome the Government's exploration with councils of referral pathways and its commitment to improving the definition of "care, support, or supervision" and setting minimum standards, but it is imperative that these standards are not optional.

National Standards

During our inquiry we received compelling evidence that there need to be national standards for referrals, support, and accommodation and that local authorities are best placed to enforce them. We are particularly concerned about the fact that the "care, support, or supervision" element is unregulated except in the specific and limited circumstances where it falls within the Care Quality Commission's remit.

We therefore call on the Government, within twelve months of the publication of this Report, to publish national standards, with powers for local authorities to enforce them, in these following areas:

- the referral process;
- care, support, or supervision;
- the quality of housing; and
- information the provider must give to the resident.

The Government should provide new burdens funding to local authorities to ensure that they can carry out these duties to the best of their ability, recognising that improving the overall standard of exempt accommodation and making it more consistent is likely to save resources in the long term.

Domestic abuse

We also found that organisations with no expertise are able to target survivors of domestic abuse and their children and provide neither specialist support nor an appropriate or safe environment. We recommend that, where a prospective resident of exempt accommodation is a survivor of domestic abuse, there must be a requirement that housing benefit is only paid to providers that have recognised expertise and meet the standards in Part 4 of the Domestic Abuse Act 2021. This must be implemented alongside increased supply of relevant specialist services.

Regulation and oversight

The exempt accommodation sector comprises different types of providers, and as such it requires the involvement of multiple regulators. However, some providers do not fall under the remit of any regulator, and no regulator has complete oversight of the different elements of exempt accommodation. As a result, we have found that the patchwork regulation of exempt accommodation has too many holes.

Better oversight of exempt accommodation is urgently required now to get a grip on the dire issues that have been described to us. As such we recommend that a National Oversight Committee be urgently established to address the oversight issues relating to exempt accommodation. This should comprise the existing regulators, who are experts in their own areas. If they worked more closely together in a more structured way, we believe they may be able to improve oversight of exempt accommodation. Among its functions we expect that it would coordinate awareness of emerging issues, inform the development of policy in this area and develop proposals for reform of the regulatory system.

Data inadequacy

The dearth of data on exempt accommodation shows how successive Governments have been caught sleeping. Due to this scarcity of data on exempt accommodation,

our inquiry was, for example, unable to establish how widespread the very worst experiences are either among residents or among local communities nor how many exempt accommodation claimants and providers there are.

While we welcome some recent steps the Government has taken in the area of data, these will not by themselves provide the quality and amount of data required to enable effective policy development. We therefore call on the Government, within twelve months of publication of this Report, to organise the collection, collation and publication of annual statistics at a local authority level under a number of key headings, including the number of exempt accommodation claimants, the number of exempt accommodation providers and the amount of money paid by both the Department for Work and Pensions and the local authority in exempt accommodation housing benefit.

Funding

Millions of pounds are being poured into exempt housing benefit with no guarantee that vulnerable residents will get the support they need. In some cases, vulnerable residents who are likely to have low incomes have to pay for support out of their own pockets.

We call on the Government to conduct a review of exempt housing benefit claims to determine how much is being spent and on what. Rent should be capped at a reasonable level that meets the higher costs of managing exempt accommodation. Funding for support should be provided separately.

We also heard that the current system offers a licence to print money to those who wish to exploit the system. We have seen examples of this particularly in relation to the lease-based model. We believe that eligibility for funding for exempt accommodation must be based on an open-book, transparent breakdown of the accommodation and the support costs incurred to the provider. The Government should also consider how to give councils greater control over rents for exempt accommodation to ensure value for money.

It is quite possible that the Government does not need to spend more money on exempt accommodation but rather needs to spend it more wisely.

Planning

Evidence to our inquiry made clear that there is a limit to what local strategies for exempt accommodation can achieve without planning reforms. Councils need the ability to manage supply in line with locally assessed need. We recommend that the measures announced by the Government in March 2022 to allow local authorities better to manage their local supported housing market include planning reforms that would enable those authorities to implement local strategies for exempt accommodation based on an assessment of need.

We also recommend that the Government end the existing exemptions that registered providers have from HMO licensing and the Article 4 directive and that the loophole relating to non-registered providers with properties containing six or fewer residents also be addressed so that they are brought within the planning regime.

Models of exempt accommodation

Throughout our inquiry we sought to establish whether an appropriate balance was being struck across the different models of exempt accommodation and whether they affected the quality of provision. While it was possible to find good and bad providers, regardless of whether they were registered or commissioned or neither, it was clear that the multitude of models of exempt accommodation produces a complex landscape with no guarantee of quality. Therefore, we recommend that action be taken to address this complex landscape, by making it compulsory for all providers to be registered. There needs to be a mechanism to ensure that there is better quality provision and that standards are maintained. Good providers will have nothing to fear from registration, while the bad providers can have their registration removed. We heard some concerns that the cost and additional reporting requirements of being registered may impact on smaller providers, but registering should not be unnecessarily onerous or expensive, and if it is that should change. Therefore, we call upon the Regulator of Social Housing to take action to make it easier for smaller providers of exempt accommodation to register with them.

The lease-based model, which raised most concerns among those contributing to our inquiry, has its place in exempt accommodation, by enabling access to properties for decent providers who would otherwise not be able to purchase properties outright. However, it can be exploited by those whose primary objective is to make huge profits at the expense of the taxpayer. We ask the Government to set out how it will clamp down on those exploiting the lease-based model for profit and prohibit lease-based profit-making schemes from being set up.

Introduction

What is exempt accommodation?

1. Exempt accommodation is a category of supported housing that is exempt from locally set caps on housing benefit. Supported housing encompasses a wide range of housing that combines housing with support for people with different needs, such as older people, people with disabilities, and people with complex needs. Exempt accommodation takes its name from the fact that it is exempt from housing benefit regulations that limit local housing allowance levels. The reason for this exemption is that this housing costs more to run than general needs tenancies, for example having higher costs for administration, insurance, and repairs and maintenance.¹ Rent is set by the provider and paid for by the resident's housing benefit.

Who lives in exempt accommodation?

2. Many people who live in exempt accommodation have experienced or are currently dealing with challenges that mean they have few alternative housing options. Residents include refugees, care leavers, people with disabilities and those who have formerly been homeless, had alcohol and drug addictions, been recently released from prison, or been a victim of crime such as domestic abuse or modern slavery.² Data is not collected on how many people live in exempt accommodation, but figures obtained through a Freedom of Information request by the homelessness charity Crisis suggest that in 2021 there were 156,868 households living in exempt accommodation.³

Who provides exempt accommodation?

3. Exempt accommodation in England can be provided by a non-metropolitan county council, unitary council, housing association, registered charity or voluntary organisation. To qualify for exempt status, providers must show that they have not-for-profit status and that they are providing care, support, or supervision. Providers can be commissioned by a council, or in some cases by the NHS or another statutory body, and there are also non-commissioned providers. Some providers are registered with the Regulator of Social Housing, though this is not mandatory except for local authorities. Some providers own their properties, while others lease them from landlords or companies.

How is exempt accommodation funded?

4. While housing costs are covered, subject to the claimant's personal circumstances, by the uncapped level of housing benefit, housing benefit cannot be used to fund the cost of

1 See e.g. Yenea Housing Ltd ([EXA 056](#))

2 Commonweal Housing ([EXA 036](#)); Dr. Patrick Murphy (Clinical Psychologist at NHS) ([EXA 053](#)); Yenea Housing Ltd ([EXA 056](#)); Birmingham City Council, [Exempt Accommodation: A report from Overview & Scrutiny](#), 7 December 2021

3 Crisis ([EXA 043](#))

care, support, or supervision.⁴ Providers fund the care they provide through charitable or commissioned funding, providers' surpluses, or by charging the resident a service charge, unless the resident is eligible for a state-funded care package.⁵

What is the role of local government in exempt accommodation?

5. Aside from commissioning exempt accommodation (though not all exempt accommodation is commissioned), the role of the council is to process, and, where necessary, challenge housing benefit claims, and to recover the costs of exempt accommodation payments to providers from the Department for Work and Pensions (DWP). They may also inspect exempt accommodation, but in terms of their statutory duties this only extends to health and safety enforcement.⁶

What are the positives and negatives of exempt accommodation?

6. Where exempt accommodation works well, residents are provided with suitable accommodation and support to which they may not have otherwise had access. In recent years, however, there have been growing concerns from regulators, providers and councils. There have been concerns about the quality of provision, including bad quality accommodation and a lack of support; the growth in exempt accommodation in certain areas and its impact on local communities; a lack of regulation; the governance of providers; and the exploitation of the system by unscrupulous landlords to profit from their operations at the expense of their residents and the taxpayer.⁷

What has the Government done so far?

7. As there were no definitive guidelines on the accommodation element of supporting housing, the then Ministry of Housing, Communities and Local Government and DWP published a National Statement of Expectations in October 2020.⁸ The guidance covers only the accommodation and not the support elements of supported housing. It does not have statutory force. Between September 2020 and October 2021, the Government conducted pilots across five councils to test enforcement measures to improve quality and value for money in supported housing, backed by £5.4 million of funding, and published its evaluation report in April 2022.⁹ On 17 March 2022 the then Minister for Rough Sleeping and Housing announced the Government's intention to introduce:

4 *Supported exempt accommodation (England)*, [Commons Briefing Paper CBP-9362](#), House of Commons Library, 30 June 2022

5 Crisis, [Tackling problems with non-commissioned exempt housing](#), October 2021

6 Birmingham City Council, [Exempt Accommodation: A report from Overview and Scrutiny](#), 7 December 2021

7 Regulator of Social Housing, [Lease-based providers of specialised supported housing](#), April 2019; Spring Housing Association, [Exempt from Responsibility? Ending Social Injustice in Exempt Accommodation Research and Feasibility Report for Commonweal Housing](#), September 2019; The Kerslake Commission on Homelessness and Rough Sleeping, [A new way of working: ending rough sleeping together](#), September 2021; Crisis, [Crisis Policy Briefing: Tackling problems with non-commissioned exempt housing](#), October 2021; Prospect Housing, [Safe, Successful, Sustainable: A shared vision for better homes, support and opportunities](#), October 2021; Birmingham City Council, [Exempt Accommodation: A report from Overview and Scrutiny](#), 7 December 2021

8 DLUHC and DWP, [Supported housing national statement of expectations](#), 20 October 2020

9 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022

- Minimum standards for the support provided to residents;
- New powers for local authorities in England to better manage their local supported housing market and ensure that rogue landlords cannot exploit the system; and
- Changes to housing benefit regulations to seek to define care, support and supervision.¹⁰

In June 2022 the Government brought forward its Social Housing (Regulation) Bill, through which it intends to create a new consumer regulatory regime, refine the existing economic regulatory regime, and strengthen the Regulator of Social Housing’s powers to enforce these regimes.¹¹ Finally, in July 2022, the Government published the prospectus for its £20 million Supported Housing Improvement Programme, which invites councils to bid for funding “to directly target local quality and value for money issues in their area”.¹² This was published alongside guidance with best practice that emerged from the pilots.¹³

Our inquiry

8. Notwithstanding the Government’s steps to improve exempt accommodation, significant concerns had been raised with us and so we opened an inquiry in December 2021. Our inquiry sought to obtain more data about exempt accommodation, since there is little publicly available information, as well as to explore the quality, regulation, value for money and geographical differences of exempt accommodation. We received 120 written submissions and held three oral evidence sessions with regulators, local authorities, providers, charities, and representatives of the Government: Eddie Hughes MP, then Minister for Rough Sleeping and Housing, Department for Levelling Up, Housing and Communities (DLUHC); Cathy Page, Deputy Director for Supported Housing, Domestic Abuse and Home Adaptations (Disabled Facilities Grant), DLUHC; David Rutley MP, then Minister for Welfare Delivery, DWP; and James Wolfe, Director, Disability and Housing Support, DWP.

9. We also travelled to Birmingham to visit areas with a high concentration of exempt accommodation and to hear directly from residents of exempt accommodation and neighbourhood and community groups affected by the considerable expansion of exempt accommodation in parts of that city. A summary of our visit can be found in the Annex of this report. We want to thank everybody who submitted written evidence, gave oral evidence, spoke to us during our visit to Birmingham, or otherwise contributed to the inquiry. We are also grateful for the support and advice throughout this inquiry from our specialist advisors, Christine Whitehead, Emeritus Professor of Housing Economics, London School of Economics and Political Science; Kelvin MacDonald, Senior Fellow, Department of Land Economy, University of Cambridge; and Aileen Murphie, Honorary Professor, Durham University Business School.

10 HC Deb, 17 March 2022, [col 50WS](#) [Commons written ministerial statement]

11 [Social Housing \(Regulation\) Bill](#) [Lords], [Bill 54 (2022–23)]

12 DLUHC, [Supported Housing Improvement Programme prospectus](#), 2 July 2022

13 DLUHC, [Local authority interventions to improve quality in supported housing](#), 2 July 2022

1 The lived experience of residents and communities

Experiences of residents

10. The measure of whether exempt accommodation policy is working should be that it is delivering for the people it is supposed to support. We received numerous testimonies in evidence and met residents in Birmingham to hear their stories first hand. On the positive end of the scale, we heard from residents of one provider that, where exempt accommodation works well, it plays “a vitally important role” in their lives, making them feel “safe and supported” and “free from chaos and the fear of violence and aggression” that may have been a feature of their lives before entering exempt accommodation.¹⁴ However, this was heavily outweighed by the shocking accounts we heard from others. As will become a recurring theme of this report, it has been difficult to assess how widespread these negative experiences are due to a lack of comprehensive information. While it may be the case that negative experiences will be more readily provided to inquiries than positive ones, the issues that stakeholders outlined were numerous and significant, and backed by widespread calls for change.

11. We wish to begin with the direct testimony of a resident, read by Matt Downie, Chief Executive, Crisis, because it encapsulates so many of the experiences shared with us:

It was a large place managed by what could possibly be called gangsters, who would scare tenants at various times for various reasons, often for no reason. They were sometimes drunk and they were untrained for their roles. They were abusive, intimidating and preyed on the vulnerable. They would collect money with intimidating tactics, only letting people out on certain evenings, i.e., the days the tenants had received payments. There was theft, fighting, bullying, prostitution. There was a support worker who was young and would like to have helped but didn't have support from other colleagues and [had] very little knowledge of his role. I was attacked by another tenant for getting a job. Other tenants were abused physically and mentally, but nothing was done. There were three baths and two showers for between 60 and 70 people.¹⁵

12. The very worst experiences we heard were of residents living among, and being made, the victims of the most terrible crimes, sometimes at the hands of staff. Stories included residents being raped and sexually harassed by their landlords under threat of eviction.¹⁶ We heard of staff assaulting residents and asking them for sexual acts in return for money, food, or better accommodation.¹⁷ We were told of residents forced to undertake work on the property, such as tiling a bathroom, for nothing or for a pittance.¹⁸ Staff and landlords were accused of threatening residents, selling drugs to residents and being complicit in

14 N Welling, T McKenzie and Others (Residents at Yenea Housing) ([EXA 066](#))

15 [Q133](#)

16 West Midlands Police ([EXA 010](#)); Rozanne Ferber ([EXA 099](#))

17 West Midlands Police ([EXA 010](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#)); Expert Link ([EXA 073](#)); Moseley Regeneration Group ([EXA 081](#))

18 Moseley Regeneration Group ([EXA 081](#)); Antrobus Road Residents' Action Group (ARRAG) ([EXA 100](#))

anti-social behaviour.¹⁹ Residents have also been victims of crimes committed by fellow residents, such as sexual assault and burglaries.²⁰ It has also been recently reported that “organised crime groups are taking millions of pounds of taxpayers’ money [and] have been cashing in on the recent boom in exempt accommodation”.²¹ West Midlands Police’s written evidence described how organised crime groups typically invest in real estate as a front to launder money.²² The impact of experiences such as these is that some people, who are already vulnerable when they enter exempt accommodation on the promise that they will receive support, become more traumatised than before.²³ For other residents, the cost of their exempt accommodation has been their very lives, some people dying of drug overdoses and others even being murdered by fellow residents.²⁴

Referral process

13. The problems can start with the way people are referred to exempt accommodation, which follows no standard process. Some people are referred into exempt accommodation by local authorities or from prisons. Alternatively, residents can self-refer, often by responding to advertisements online, principally on Gumtree and Facebook.²⁵ These advertisements were criticised for luring in vulnerable people with promises of not having to pay rent upfront and for “unmet promises around support”.²⁶ We were also informed that many providers lack their own websites or information packs, so knowledge of the availability of accommodation is spread by word of mouth, telephone calls and emails.²⁷

14. Different providers and referring agencies vary in their assessment of the prospective resident’s needs, with some not offering a proper evaluation of the support that they should receive.²⁸ Consequently new residents can be placed in inappropriate housing with an unsuitable mix of residents.²⁹ For example, we heard about female survivors of domestic abuse being placed in mixed-sex accommodation or with former perpetrators of violent crime.³⁰ We also heard that “those in recovery from a drug problem can find themselves living with people in active addiction”.³¹ The referral process can also result in people

19 Expert Link ([EXA 073](#)); Anonymous ([EXA 051](#)); [Q134](#) (Matt Downie, Crisis)

20 West Midlands Police ([EXA 010](#)); Expert Link ([EXA 073](#))

21 “UK crime gangs rake in millions through supported housing, say police”, The Guardian, 16 October 2022

22 West Midlands Police ([EXA 010](#))

23 Expert Link ([EXA 073](#)); [Q43](#)

24 Birmingham City Council Conservative ([EXA 063](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#))

25 Yenea Housing Ltd ([EXA 056](#))

26 BCP Council ([EXA 019](#)); Association of Police and Crime Commissioners ([EXA 107](#)); Preet Kaur Gill (Member of Parliament for Birmingham, Edgbaston at House of Commons) ([EXA 108](#)); [Q67](#) (Sharon Thompson, West Midlands Combined Authority); [Q127](#), [Q138](#) (Matt Downie, Crisis)

27 Commonweal Housing ([EXA 036](#)); Birmingham City Council ([EXA 114](#))

28 Dr Chris O’Leary (Senior Lecturer at Policy Evaluation and Research Unit, Manchester Metropolitan University) ([EXA 001](#)); Spring Housing Association ([EXA 047](#))

29 BCP Council ([EXA 019](#)); Commonweal Housing ([EXA 036](#)); Preet Kaur Gill (Member of Parliament for Birmingham, Edgbaston) ([EXA108](#)); [Q47](#) (Guy Chaundy, Senior Manager Housing Strategy, City Housing, Birmingham Council)

30 Commonweal Housing ([EXA 036](#)); Moseley Regeneration Group ([EXA 081](#)); Rozanne Ferber ([EXA 099](#)); Preet Kaur Gill (Member of Parliament for Birmingham, Edgbaston) ([EXA 108](#)); London’s Deputy Mayor for Policing and Crime ([EXA 118](#)); [Q46](#) (Sharon Thompson, West Midlands Combined Authority); [Q136](#) (Farah Nazeer, Chief Executive, Women’s Aid)

31 Association of Police and Crime Commissioners ([EXA 107](#))

moving hundreds of miles to live in exempt accommodation. In Birmingham only 42% of current provision was meeting identified local need.³² Many criticised the process of relocating people, not least for isolating residents from their friends and families.³³

Care, support, and supervision

15. Once a person has moved into exempt accommodation, the amount and the quality of the “care, support, or supervision” that they receive varies greatly. We heard some examples of good practice from witnesses: St Petrocs, a charity based in Cornwall, offers a full needs assessment, housing support officers on the premises every day, regular support plan assessments, an in-house counselling service, and an employment and training programme.³⁴ At the other end of the scale, some residents receive no support whatsoever.³⁵ Some did not receive support for six months; others had an hourly meeting cut short whenever the support worker was delayed in their journey to them; others merely received a weekly phone call.³⁶ We heard from residents in Birmingham that their support amounted to a worker shouting up the stairs to check on them and immediately leaving. The former Minister for Rough Sleeping and Housing shared his own example of “people who have provided a loaf of bread and some jam and left that on the table and they feel that that is enough provision”.³⁷ The effect of inadequate support is that people who are in transitional arrangements that are supposed to help them to move on with their lives and progress to independent living can instead become trapped and institutionalised.³⁸

16. One reason for support sometimes being inadequate is a lack of expertise on the part of providers, both when it comes to managing exempt accommodation and also in providing specialist services.³⁹ Another is the lack of expertise of the support workers themselves. We heard they can often lack training, are inexperienced and unqualified to help people with varying needs, are poorly paid, and can become burned out when trying to help “high needs” individuals who really need other accommodation.⁴⁰ An example of support provided by residents groups in Birmingham was “a 17-year-old girl handing out a food-bank voucher once a week”.⁴¹ Consequently there can be a high turnover of staff—one resident in Birmingham had 10 support workers in a year. We also heard that there was “no recognition or proper status given to professionals working in the sector”.⁴²

17. We received a great deal of evidence about the inadequate definition of “care, support, or supervision” in housing benefit regulations and the lack of oversight of support provided in exempt accommodation, which we will consider in the next chapter.

32 Birmingham City Council ([EXA 114](#))

33 Joy Allen (Police and Crime Commissioner at Durham Police and Crime Commissioner) ([EXA 011](#)); BCP Council ([EXA 019](#)); Bristol Road Neighbourhood Watch ([EXA 022](#)); Succour Haven CIC ([EXA 026](#)); Commonweal Housing ([EXA 036](#)); Birmingham City Council Conservative Group ([EXA 063](#)); Prospect Housing Limited ([EXA 086](#)); City Of Bradford Metropolitan District Council ([EXA 088](#)); Association of Police and Crime Commissioners ([EXA107](#))

34 [Q102](#) (Henry Meacock)

35 Expert Link ([EXA 073](#)); Prospect Housing Limited ([EXA 086](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA105](#))

36 Anonymous ([EXA 023](#)); Commonweal Housing ([EXA 036](#)); Nottingham City Council, Nottingham City Homes ([EXA 093](#))

37 [Q198](#)

38 [Qq135–6](#)

39 Preston City Council ([EXA 034](#)); Changing Lives ([EXA 040](#)); [Q136](#) (Farah Nazeer, Women’s Aid)

40 Commonweal Housing ([EXA0036](#)); HMO Action Group ([EXA 076](#))

41 [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

42 Entrain Space ([EXA 087](#))

Many also suggested that a reason for support being inadequate is that some providers are motivated by making a profit rather than by supporting people, which we will consider in chapter 3.

Quality of housing

18. The quality of housing on offer can be incredibly poor. Numerous contributors described properties as cramped, dirty, damp and potentially unsafe in a fire.⁴³ A resident in Birmingham told us they were offered a room covered in bodily fluids; a neighbourhood group described walls covered in faeces.⁴⁴ The Birmingham based Moseley Regeneration Group described a lot of the housing as “appalling, with lack of keys, damp, problems with gas and electricity supplies, no access to cooking facilities, or facilities for washing clothes”.⁴⁵ Hull City Council found 3.5 significant hazards per property in the places it inspected between April 2019 and January 2022, with 62% of inspected properties failing to meet the decent homes standard.⁴⁶ We also received descriptions of large buildings with forty or more residents, and “pod units, with very small rooms around shared facilities”, that were an inappropriate setting for delivering care or support to people with support needs.⁴⁷

Vulnerability to eviction

Disincentives to work

19. We were told in written evidence and by residents in Birmingham that residents face barriers in seeking either to gain employment, or to work longer hours.⁴⁸ Changing Lives, a charity delivering exempt accommodation and community-based homelessness services, explained that once residents gain employment, they can lose access to some of their enhanced housing benefit. They are then liable for the high rents set by providers and are vulnerable to eviction if they cannot pay the rent. The conundrum is that they “cannot afford a private rental until they have a job. However, they cannot get a job until they move into a property with more affordable rents”.⁴⁹ Residents in Birmingham explained

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- 43 GreenSquareAccord Limited ([EXA 005](#)); Local Government and Social Care Ombudsman ([EXA 006](#)); West Midlands Police ([EXA 010](#)); Grand Union Housing Group ([EXA 017](#)); Handsworth Helping Hands ([EXA 018](#)); Preston City Council ([EXA 034](#)); Commonweal Housing ([EXA 036](#)); Office of the West Midlands Police and Crime Commissioner ([EXA 061](#)); Shabana Mahmood MP ([EXA 064](#)); HMO Action Group ([EXA 076](#)); City Of Bradford Metropolitan District Council ([EXA 088](#)); National Fire Chiefs Council ([EXA 091](#)); Brandwood Together (Residents Association) ([EXA 098](#)); West Midlands Fire Service ([EXA 106](#)); Preet Kaur Gill MP ([EXA 108](#)); South Kesteven District Council ([EXA 109](#)); West Devon Borough Council ([EXA 110](#)); Chartered Institute of Housing ([EXA 123](#)); [Q51](#) (Helen Clipsom, Outreach and Private Rented Options Service Manager, Bradford Council)
- 44 [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)
- 45 Moseley Regeneration Group ([EXA 081](#)). See also Hilldale Housing Association ([EXA 083](#)); Prospect Housing Limited ([EXA 086](#))
- 46 Hull City Council ([EXA 117](#)). See also [Q48](#) (Cllr. Neil Jory, Leader of West Devon District Council, West Devon Council)
- 47 Changing Lives ([EXA 040](#)); Women’s Aid Federation of England ([EXA 046](#)); [Q51](#) (Helen Clipsom, Bradford Council), City Of Bradford Metropolitan District Council ([EXA 088](#))
- 48 Anonymous ([EXA 003](#)); BCP Council ([EXA 019](#)); Centre for the New Midlands ([EXA 032](#)); Spring Housing Association ([EXA 047](#)); YMCA St Paul’s Group ([EXA 060](#)); Birmingham Social Housing Partnership (BSHP) ([EXA 067](#)); Entrain Space ([EXA 087](#)); City Of Bradford Metropolitan District Council ([EXA 088](#)); Manchester City Council ([EXA 089](#)); Rozanne Ferber ([EXA 099](#)); Barnardo’s ([EXA 102](#))
- 49 Changing Lives ([EXA 040](#))

that it was unfeasible to save for a rental deposit before benefits were withdrawn and that some residents ended up working illegally, being paid cash in hand, while simultaneously claiming benefits.

20. The then Minister for Welfare Delivery was impervious to the suggestion that housing benefit regulations can trap people in unemployment and in transitional housing arrangements. He argued that “[t]he way that the housing benefit is structured is that you will always be better off in work than not working at all”.⁵⁰ When we presented examples of residents being made vulnerable to eviction, he said:

We are trying to say that there is a range of different opportunities for people to have accommodation and once people get into work they will get into a more positive cycle in their lives and they can progress in employment and be able to afford the rent that they need as well.⁵¹

21. Suggestions we received for removing the barriers to employment faced by residents included: “delaying the point at which tenants in exempt accommodation become liable for paying rent when they gain paid employment, to allow a buffer period in which they can secure alternative accommodation after rather than before starting work”; and “[r]esidents in exempt accommodation should be [temporarily] supported to pay the exempt rent charge when they enter employment, so that they are not penalised by taking on work”.⁵² Prospect Housing, a former provider that chose to close and published a report so that others could learn from its experiences, suggested that local authorities should make extra discretionary housing benefit payments to allow residents to find paid employment.⁵³

Licence arrangements, complaints, and lack of information for residents

22. Another feature that can make residents vulnerable to eviction arises when providers give residents a licence agreement rather than a tenancy. According to Commonweal Housing, a housing charity, licence arrangements are the dominant agreement type among non-commissioned exempt accommodation.⁵⁴ They give residents permission to occupy the property without the full status and rights of a tenant. This means they can be evicted at short notice, and if they leave voluntarily “are then likely to be seen as intentionally homeless by their council”.⁵⁵ While the Government’s Social Housing (Regulation) Bill would give stronger protections to social housing residents who have licence arrangements, these protections would not extend to licensees in privately rented exempt accommodation.⁵⁶ Prospect Housing’s report recommended that, to give residents more secure tenure, providers should consider granting assured shorthold tenancies instead of licence agreements.⁵⁷

50 [Q152](#)

51 [Q153](#)

52 Changing Lives ([EXA 040](#)); YMCA St Paul’s Group ([EXA 060](#))

53 Prospect Housing, [Safe, Successful, Sustainable: A shared vision for better homes, support and opportunities](#), October 2021, p 23

54 Commonweal Housing, [Exempt from responsibility? Ending Social Injustice in Exempt Accommodation Research and Feasibility Report for Commonweal Housing](#), September 2019, p 17

55 [Q134](#) (Matt Downie)

56 [Q218](#) (Eddie Hughes MP)

57 Prospect Housing, [Safe, Successful, Sustainable: A shared vision for better homes, support and opportunities](#), October 2021, p 23

23. The report by Commonweal Housing found that “the inherent precarity” of licence agreements prevented residents from asserting their rights for fear of retaliation or eviction.⁵⁸ Grand Union Housing Group expressed a general concern that fear of eviction prevents residents from providing feedback on the quality of their provision, while others suggested that residents are not given sufficient information or support to understand their rights or seek redress.⁵⁹ Both the Domestic Abuse Commissioner for England and Wales and Bristol Road Neighbourhood Watch suggested that a complaints system should sit within local authorities.⁶⁰

Domestic abuse survivors

24. We received specific concerns about exempt accommodation provision for survivors of domestic abuse and their children.⁶¹ That is not to say that excellent specialist provision is not available. However, there was real concern about the growth of non-specialist providers who target survivors yet lack proper expertise or experience. Accommodation in these examples is often too large, with examples of 40 or 60 residents, or is in unsafe areas. These providers offer little to no wraparound support or safeguarding procedures and fail to meet the definition of relevant safe accommodation in Part 4 of the Domestic Abuse Act 2021. Some survivors had experienced violence, harassment, and controlling behaviour by staff and other residents. Some are inappropriately housed with an unsuitable mix of residents, in mixed-sex provision, or alongside perpetrators, or can be easily found by perpetrators. Since these unscrupulous providers operate on a “business model” funded by housing benefit, they have no incentive to help survivors and their children move on. Farah Nazeer, Chief Executive, Women’s Aid Federation of England, illustrated just how high the stakes are:

We are talking about very vulnerable people. Particularly in the context of domestic abuse, it takes a woman on average seven years before she is willing, able and ready to branch out and leave that relationship. It takes a lot of courage. If we get it wrong at that one point, when they have experienced that kind of accommodation, we have lost them. They will quite often go back. Women will feel forced to go back to the perpetrator, because that feels like a safer option than what is being provided.⁶²

25. Farah Nazeer explained that what has enabled the emergence of these “murky” providers is an undersupply of commissioned services.⁶³ Although, as the former Minister for Rough Sleeping and Housing pointed out, the Domestic Abuse Act 2021 places a duty on tier one authorities to map service provision,⁶⁴ Farah Nazeer argued that engagement with this duty by councils is a “postcode lottery”.⁶⁵ The Domestic Abuse Commissioner for England and Wales argued that “the commissioning structure often discourages specialist

58 Commonweal Housing, [Exempt from responsibility? Ending Social Injustice in Exempt Accommodation Research and Feasibility Report for Commonweal Housing](#), September 2019, p 33

59 Grand Union Housing Group ([EXA 017](#)); Sandwell Metropolitan Borough Council ([EXA 035](#)); Office of the West Midlands Police and Crime Commissioner ([EXA 061](#))

60 Domestic Abuse Commissioner for England and Wales ([EXA 120](#)); Bristol Road Neighbourhood Watch ([EXA 022](#))

61 Sources for this paragraph are: Domestic Abuse Commissioner for England and Wales ([EXA 120](#)); Women’s Aid Federation of England ([EXA 046](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#)), and the oral evidence provided by Farah Nazeer, particularly in [Q136](#).

62 [Q138](#)

63 [Q136](#); [Q138](#)

64 [Q145](#)

65 [Q140](#)

... services from applying” where there is “a lack of a crucial mass of service users within a defined geographical area”.⁶⁶ In this context, Women’s Aid Federation of England saw the Government’s pilots as a missed opportunity to “focus explicitly on domestic abuse in order to develop an evidence-based and survivor-led model for exempt accommodation”.⁶⁷

The scale of bad experiences

26. Matt Downie, Chief Executive, Crisis, told us that “we simply do not know the scale” of the very worst experiences due to a lack of national data.⁶⁸ However, he said that “people routinely describe the horrors” of their living situations to Crisis staff, and that “we can be certain that thousands, and maybe tens of thousands, of people across the country are living under appalling and shocking living standards”.⁶⁹ We will explore the theme of data more closely in chapter 3.

Experiences of neighbours

27. We heard of some good practice employed by providers to engage residents: for example, Concept Housing told us about their resident and community engagement team.⁷⁰ But we also heard many accounts of anti-social and criminal behaviour taking place near exempt accommodation. Much, but by no means all, of this evidence came from community groups in and around Birmingham, where there is a great deal of awareness and activism on the part of local groups.⁷¹ Contributors to our inquiry described littering, rubbish piling up and pouring over the streets,⁷² encouraging the spread of vermin and cockroaches.⁷³ More than one submission mentioned residents begging.⁷⁴ There were also reports of noise from parties, fights, and quarrels.⁷⁵ We were also told about drug taking, littering, public urination, and in one area, prostitution.⁷⁶ These problems were exacerbated when exempt properties were clustered together in the same area.⁷⁷ West Midlands Police wrote that they received 18 calls in one month from just one road with a high concentration of exempt accommodation.⁷⁸ Neighbours could see that the support being given to residents was inadequate and sometimes stepped in themselves to help, but stressed that this should not be a substitute for proper support.⁷⁹

28. Neighbourhood groups were also concerned about a loss of family housing that they associated with exempt accommodation, as Victorian era properties can be easily

66 Domestic Abuse Commissioner for England and Wales ([EXA 120](#))

67 Women’s Aid Federation of England ([EXA 046](#))

68 [Q133](#)

69 [Q123](#); [Q134](#)

70 [Q113](#)

71 [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

72 Anonymous ([EXA 023](#)); Mr Devinder Kumar ([EXA 027](#)); Anonymous ([EXA 051](#)); HMO Action Group ([EXA 076](#)); City Of Bradford Metropolitan District Council ([EXA 088](#)); [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

73 HMO Action Group ([EXA 076](#)); [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

74 Anonymous ([EXA 023](#)); Mr Devinder Kumar ([EXA 027](#)); Preston City Council ([EXA 034](#))

75 Anonymous ([EXA 023](#)); Preston City Council ([EXA 034](#)); Anonymous ([EXA 051](#)); [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

76 Preston City Council ([EXA 034](#)); Soho Road East Neighbourhood Watch ([EXA 038](#)); [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

77 Preston City Council ([EXA 034](#))

78 West Midlands Police ([EXA 010](#))

79 [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

converted to multiple occupation.⁸⁰ Centre for the New Midlands, a think tank, claimed that since 2014 over 5,000 homes have been converted from family homes to exempt accommodation in the Midlands alone.⁸¹ We were also told that student housing in parts of Birmingham and Bradford was being converted.⁸² During our visit, community and neighbourhood groups emphasised that the growth of exempt accommodation in an area could set off a spiral, as anti-social behaviour and the impact on their environment encouraged people to leave but discouraged families from moving in. The only purchasers were landlords prepared to convert the homes into exempt accommodation.

29. These issues resulted in the loss of pride in, and sense of, community. The changes reduced the number of long-term residents, who felt driven out of the area, replaced by transient residents, “many of whom hardly know where they’re living”.⁸³ Neighbours feared reprisals by the owners of the properties if they complained.⁸⁴ Groups from Birmingham argued that these changes also harmed local shops, through a mixture of anti-social behaviour, theft, and residents lacking the income to purchase their goods.⁸⁵ It also placed a strain on local schools through an increase in the number of pupils attending for a short time while living in exempt accommodation and on other public services such as GP surgeries.⁸⁶

30. The impact that high concentrations of exempt accommodation can have on a community is illustrated by the Handsworth Helping Hands group:

Neighbours become overburdened with appeals for help from the vulnerable in their midst—requests for food, cigarettes, money, the use of their phones. They get tired of calling ambulances for people collapsed on the pavement, seeing drugs traded openly in the street, are vexed by pilfering of anything left in their front gardens, having their car doors tried, seeing police cars parked in their street, being kept awake by loud music late at night, or annoyed by it on summer afternoons. They despair at seeing bulky objects dumped in streets, at having to pick up rubbish spilling onto the pavement from over-filled bins, at bins being left unemptied by Fleet and Waste when recycling and household waste have been mixed. They become suspicious of strangers and worry about the safety of their children going to and from school or playing in the streets.⁸⁷

Conclusion

31. An unknown but significant number of residents’ experiences of exempt accommodation are beyond disgraceful. Taxpayers’ money is being spent on uncapped housing benefit on the understanding that residents, who are usually vulnerable, receive some care, support, or supervision—yet it is clear that some people’s situations

80 Handsworth Helping Hands ([EXA 018](#)); Local Government Association ([EXA 020](#)); Centre for the New Midlands ([EXA 032](#)); Birmingham City Council Conservative Group ([EXA 063](#)); Birmingham Social Housing Partnership ([EXA 067](#))

81 Centre for the New Midlands ([EXA 032](#))

82 Community Partnership for Selly Oak ([EXA 050](#)); City Of Bradford Metropolitan District Council ([EXA 088](#))

83 Handsworth Helping Hands ([EXA 018](#)); Soho Road East Neighbourhood Watch ([EXA 038](#)); Anonymous ([EXA 051](#))

84 Anonymous ([EXA 023](#))

85 [Birmingham Exempt Accommodation forum presentation on Exempt Accommodation](#)

86 Anonymous ([EXA 023](#)); HMO Action Group ([EXA 076](#))

87 Handsworth Helping Hands ([EXA 018](#))

actually deteriorate as a result of the shocking conditions in which they live. We heard of squalid environments, vermin, drug-taking, crime and abuse. We heard of people with a history of substance misuse being housed with drug dealers, and of survivors of domestic abuse being housed with perpetrators of such abuse. The support on offer is sometimes little more than a loaf of bread left on a table or a support worker shouting at the bottom of the stairs to check on residents.

32. Since areas with high concentrations of exempt accommodation can attract anti-social behaviour, crime, rubbish, and vermin, neighbours and communities are affected negatively as well as residents. These impacts risk undermining local support for supported housing.

33. It is egregious that organisations with no expertise are able to target survivors of domestic abuse and their children and provide neither specialist support nor an appropriate or safe environment. *Where a prospective resident of exempt accommodation is a survivor of domestic abuse, there must be a requirement that housing benefit is only paid to providers that have recognised expertise and meet the standards in Part 4 of the Domestic Abuse Act 2021. This must be implemented alongside increased supply of specialist services: the Government's Supported Housing Improvement Programme offers an opportunity to develop an evidence-based, survivor-led model of exempt accommodation for survivors of domestic abuse and their children.*

34. Due to the scarcity of data on exempt accommodation, our inquiry was unable to establish how widespread the very worst experiences are either among residents or among local communities. Where the very worst experiences are occurring, this points to a complete breakdown of the system which calls for immediate action from Government. Implementing our recommendations in this report will go some way to improving the quality of provision for residents and managing the impact on communities.

2 Improving and overseeing the quality of provision

35. The previous chapter illustrates the very worst experiences that were brought to our attention. In this chapter we bring together suggestions for improving the quality of exempt accommodation, from the referral process to the support provided to the quality of the housing. This includes exploring options for how there can be better oversight of exempt accommodation.

Improving the referral process

36. In the previous chapter we saw how some people, responding to adverts for exempt accommodation on sites such as Gumtree and Facebook, were offered no assessment of their support needs, and were then relocated great distances or housed alongside an inappropriate mix of residents. In order to remedy this, stakeholders suggested standardising or strengthening the protocols around the referral process.⁸⁸ In particular, the Local Government Association (LGA) suggested that councils should control the referral process—which was also a recommendation of Prospect’s report.⁸⁹

37. When we asked councils what kind of assurance they carry out when processing a housing benefit claim for exempt accommodation, Councillor Neil Jory, Leader of West Devon Borough Council, explained: “we do check the paperwork, but it is paperwork that comes in rather than a physical check”.⁹⁰ As part of the Government’s pilots, some councils assessed care and support “at the first point a claim is submitted”.⁹¹ The best practice guidance that followed the evaluation of the pilots recommended that councils review referral processes at scheme level, assessing how individual providers accept and decline referrals into their schemes.⁹² Cathy Page told us that DLUHC is “looking at the ways in which we can encourage and work with local authorities on referral pathways”, but accepted that there is currently no obligation on landlords to co-operate with that.⁹³ The former Minister for Rough Sleeping and Housing added that, in the case of referrals from prison, the Government has been putting housing officers in prisons to identify appropriate accommodation for prison leavers.⁹⁴

88 Yena Housing Ltd ([EXA 056](#)); Preet Kaur Gill MP ([EXA 108](#)); Sandwell Metropolitan Borough Council ([EXA 035](#)); [Q47](#)

89 Local Government Association ([EXA 020](#)) (also Blackpool Council ([EXA 077](#))); Prospect Housing, [Safe, Successful, Sustainable: A shared vision for better homes, support and opportunities](#), October 2021, p 17

90 [Q49](#)

91 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 26

92 DLUHC, [Local authority interventions to improve quality in supported housing](#), July 2022, paras 89–93

93 [Qq148–149](#)

94 [Q150](#)

Improving care, support, or supervision

Definition

38. A key driver of support being insufficient or completely absent, we repeatedly heard, is the inadequate definition of “care, support, or supervision”.⁹⁵ It is not defined in housing benefit regulations, and has been defined in case law as “more than minimal”.⁹⁶ This lack of definition was found to have limited the impact of the Government’s pilots.⁹⁷ Contributors told us that the definition is too ambiguous, leading to different interpretations and inconsistent provision.⁹⁸ We received widespread calls for the definition to be reviewed,⁹⁹ strengthened,¹⁰⁰ made statutory, and be accompanied by a referral and risk assessment process.¹⁰¹ We heard that the criteria which the Government should consider when improving the definition included ensuring that care, support, and supervision meet the needs of the resident, and providing enough flexibility to avoid a strict “one-size-fits-all” approach, since there is a wide range of people who live in exempt accommodation and their needs will differ and be specific to their situation.¹⁰² Prospect Housing’s report recommended that minimum standards of care should include supporting the resident to progress to independence and employment.¹⁰³

39. The Government’s announcement on 17 March contained a pledge to change housing benefit regulations to include a definition of care, support, and supervision, and to introduce minimum standards for support. We heard from Ministers and officials that the Government is engaging with stakeholders to determine both those standards and the definition.¹⁰⁴

Oversight

40. Another problem with current levels of care, support, and supervision was a lack of oversight over this element. While councils monitor support provided by the services which they commission, “there is no means to do that” for non-commissioned services.¹⁰⁵ The Care Quality Commission only has oversight where an organisation provides personal care as defined in the Care Act 2014 as Debbie Ivanova, Deputy Chief Inspector for People with a Learning Disability and Autistic People, Care Quality Commission, explained:

95 St Basils ([EXA 008](#)); Centre for the New Midlands ([EXA 032](#)); Spring Housing Association ([EXA 047](#)); Birmingham Social Housing Partnership ([EXA 067](#)); L’Arche ([EXA 071](#)); Nottingham City Council, Nottingham City Homes ([EXA 093](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#))

96 [UK Social Security and Child Support Commissioners’ Decisions](#) [2007] CH_3811_2006 (7 March 2007); [Bristol City Council v AW](#) [2009] UKUT 109 (AAC) (15 June 2009)

97 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 8

98 [Q58](#)

99 West Midlands Police ([EXA 0100](#)); Local Government Association ([EXA 020](#)); Centre for the New Midlands ([EXA 032](#)); Commonweal Housing ([EXA 036](#)); Centrepont ([EXA 070](#)); Signposts (Luton), Luton Homeless Partnership ([EXA 094](#)), [Q118](#) (Henry Meacock, Chief Executive, St Petrocs), (David Fensome, Concept Housing)

100 Centre for the New Midlands ([EXA 032](#)); Sandwell Metropolitan Borough Council ([EXA 035](#)); National Care Forum ([EXA 068](#)); L’Arche ([EXA 071](#)); West Devon Borough Council ([EXA 110](#)); Joint Mayoral Response ([EXA 112](#)); London’s Deputy Mayor for Policing and Crime ([EXA 118](#)); [Q58](#) (Cllr Sharon Thompson)

101 Preet Kaur Gill MP ([EXA 108](#)); Leeds City Council ([EXA 113](#))

102 Sandwell Metropolitan Borough Council ([EXA 035](#)); Yena Housing Ltd ([EXA 056](#)); Manchester City Council ([EXA 089](#)); Birmingham City Council ([EXA 114](#)); [Q69](#)

103 Prospect Housing, [Safe, Successful, Sustainable: A shared vision for better homes, support and opportunities](#), October 2021, p 41

104 [Q188](#); [Q194](#); [Q213](#)

105 [Q52](#)

We have no powers to regulate any support provided by landlords as part of people’s tenancy. I understand the nature of the support we are talking about here is very broad, including things like helping with benefits, budgeting and maintaining tenancies. None of that comes under the definition of “personal care”, which is what CQC regulates.¹⁰⁶

Expanding the Care Quality Commission’s remit, Debbie Ivanova explained, would require a formal request from Government and registration fees.¹⁰⁷

41. Local authorities conducted care and support reviews as part of the Government’s pilots. These involved “a multi-disciplinary team to run questionnaires or interviews among residents and/or support staff, a tour of the premises and requests for copies of support files, plans or other evidence”.¹⁰⁸ This activity was found to have “a positive impact on the quality, standard and appropriateness of support, which has in turn led to the improvement of resident outcomes”.¹⁰⁹ Crucially, councils reported that it was the funding provided by the pilots that allowed them to increase their workforce and produce this outcome.¹¹⁰

Improving accommodation standards

42. Unlike the standards for care, support, or supervision, the Government has already defined minimum standards for the housing element of exempt accommodation in its National Statement of Expectations published in October 2020. Despite this, our witnesses called for clearer standards for the housing element of exempt accommodation.¹¹¹ Stakeholders also said it was a problem that these standards have no statutory force.¹¹²

43. There is greater regulation of the housing element of exempt accommodation than the support element, but our evidence revealed this to be patchy and with too many loopholes. Registered providers of social housing are subject to the oversight of the Regulator of Social Housing, meaning that private landlords and non-registered providers are not subject to the same oversight; the Domestic Abuse Commissioner for England and Wales explained that many specialist providers do not register because it takes “significant time and resources”.¹¹³

44. Registered providers must meet certain economic standards in relation to governance, financial viability, value for money and rent.¹¹⁴ They must also meet certain consumer standards including some relating to the quality of accommodation; but currently the Regulator’s role in enforcing these is reactive (responding to issues) rather than proactive (in-depth assessments; inspections; issuing regulatory judgements).¹¹⁵ The Government

106 [Q8](#)

107 [Q41](#)

108 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 26

109 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 44

110 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 44

111 [Q63](#); [Q118](#)

112 E.g. Women’s Aid Federation of England ([EXA 046](#)); Medway Council ([EXA 054](#)); Derby City Council ([EXA 082](#))

113 Domestic Abuse Commissioner for England and Wales ([EXA 120](#))

114 Regulator of Social Housing, [Regulatory standards](#). The Regulator only has the power to set economic standards for local authorities in relation to rent.

115 Regulator of Social Housing, [Regulatory standards](#); [Q24](#)

is seeking to strengthen the Regulator’s powers regarding consumer standards through its Social Housing (Regulation) Bill, and Ashley Horsey, Chief Executive, Commonwealth Housing, called for these to “make specific reference to exempt accommodation”.¹¹⁶

45. Stakeholders criticised the existence of exemptions that mean even registered providers escape certain oversight of accommodation standards. Indeed, Sam Lister, Policy and Practice Officer, Chartered Institute of Housing, suggested that this was a deliberate move by some providers, who use registered provider status “as a shelter to get away from some of the regulations”.¹¹⁷ For example, registered providers are permitted to offer “non-social” housing as well as social housing, to which the consumer standards do not apply.¹¹⁸ “Non-social” housing is broadly defined as homes let at market rents, meaning that exempt accommodation can fall into this category. Ashley Horsey argued that in spite of the rent levels, all exempt accommodation delivered by registered providers should be “defined as social housing” because it is “providing a social need”.¹¹⁹ Registered providers are also exempt from the Management of Houses of Multiple Occupation (England) Regulations 2006, which we heard “can make it very difficult for a local authority to enforce housing standards” and also means that landlords, directors and providers can bypass the “fit and proper person test”.¹²⁰

46. The Government’s pilots involved local authorities conducting property inspections and enforcing accommodation standards. The evaluation found that “pilot funding had directly increased the number of inspections they were able to carry out due to the resources made available, especially in terms of staff time”.¹²¹ Participating authorities agreed that the pilots would have a “positive impact on [accommodation] quality and standards”, having identified 3,000 hazards, most of which “would not have been identified without the funding of the pilots”.¹²² When it came to enforcing standards, participating authorities preferred to begin with informal engagement activity to resolve issues such as offering advice and recommendations or informal notices, both to maintain good relationships with providers and to avoid resource-intensive legal action.¹²³

Overall oversight

47. In addition to the patchy regulation of the support and housing elements of exempt accommodation, evidence given to us was critical of the fact that there is no central regulation of exempt accommodation. Providers may be registered with multiple regulators, or none at all. We have already had cause to mention the Care Quality Commission and the Regulator of Social Housing, the latter being the dominant regulator, overseeing roughly 57% of exempt accommodation providers.¹²⁴ Providers with charitable status may be registered with the Charity Commission, which oversees their governance and meeting their charitable purpose, while providers that are Community Interest Companies may be registered with the Financial Conduct Authority and the Office of the Regulator of

116 [Social Housing \(Regulation\) Bill HL \(parliament.uk\)](#); [Q128](#)

117 [Q131](#)

118 E.g. Crisis UK ([EXA 043](#)); Spring Housing Association ([EXA 047](#)), Sanctuary ([EXA 085](#)); Bristol City Council ([EXA 115](#))

119 [Q128](#)

120 Spring Housing Association ([EXA 047](#))

121 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 25

122 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 41

123 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, pp 39–40

124 [Q14](#)

Community Interest Companies.¹²⁵ As a result of this complex regulatory environment, we were told there are “quite a number” of providers “who fall outside of any regulatory regime”.¹²⁶ Indeed, Commonweal Housing told us that some providers amended their structures and status “to better bypass regulation or minimise scrutiny, while reaping large returns”.¹²⁷

48. All these regulators oversee specific aspects of exempt accommodation. While there can be collaboration between regulators,¹²⁸ there is “no single regulator” that pulls together the different aspects.¹²⁹ Those that are registered with different regulators are regulated insofar as they are social housing providers, or insofar as they are charities, or insofar as they provide personal care, but no single body regulates providers insofar as they provide exempt accommodation. Debbie Ivanova, Care Quality Commission, described why this is not the best arrangement from the perspective of the resident:

When we inspect that service, and we are looking at the quality of the care that they receive, they very often want to talk to us about the house and what does not work in the house and the things that are not right for them there ... the more complex it is the less likely it is to have good outcomes for people in services.¹³⁰

49. Some contributors felt that oversight for all exempt accommodation should fall to an existing regulator,¹³¹ or that existing regulators should be strengthened.¹³² Because of the different remits of the regulators, our witnesses felt exempt accommodation was not “something that can easily be put under one regulator”.¹³³ Others felt that a new dedicated regulator should be created.¹³⁴ When we put our concerns about gaps in regulations to Ministers and officials, Cathy Page said that the Government is “working to map the regulatory framework and where the gaps are”.¹³⁵ She recognised that “[t]he definition of care, support and supervision appears to be a gap” and that the Government was exploring how to “layer the different regulatory regimes so that the gaps can be closed”.¹³⁶ She added that “a national oversight body” was one option being considered.¹³⁷

125 Local Government Association ([EXA 020](#)); [Q2](#), [Q4](#), [Q15](#), [Q33](#)

126 [Q38](#)

127 Commonweal Housing ([EXA 036](#)); Crisis UK ([EXA 043](#))

128 [Q24](#)

129 Oculus Real Estate ([EXA 095](#))

130 [Q37](#)

131 First Priority Housing Association Limited ([EXA 062](#)); Birmingham City Council Conservative Group ([EXA 063](#)); The Salvation Army ([EXA 074](#)); Manchester City Council ([EXA 089](#))

132 St Basils ([EXA 008](#)); West Midlands Combined Authority ([EXA 009](#)); West Midlands Housing Association Partnership ([EXA 012](#)); Centre for the New Midlands ([EXA 032](#)); Praevaleo Ltd ([EXA 048](#)); Joint Mayoral Response ([EXA 112](#)); Birmingham City Council ([EXA 114](#))

133 [Q37](#); cf. [Q14](#)

134 Centrepont ([EXA 070](#)); London Borough of Hackney ([EXA 096](#)); West Devon Borough Council ([EXA 110](#)); The Ashley Foundation ([EXA 119](#)). See also Blackpool Council ([EXA 077](#))

135 [Q211](#)

136 [Q211](#)

137 [Q214](#)

50. There was a great deal of support in our evidence for standards to be set nationally,¹³⁸ and for local authorities to play a stronger enforcing role with greater powers.¹³⁹ Indeed, new powers for local authorities is one of the three measures that the former Minister for Rough Sleeping and Housing announced on 17 March. The former Minister for Welfare Delivery referred to these in evidence before us,¹⁴⁰ and Cathy Page added: “we definitely need to have a look at mandatory support standards, how those support standards are enforced, if we are going to enforce them”.¹⁴¹

51. The former Minister for Rough Sleeping and Housing, however, was hesitant about introducing new legislation or regulations. He repeatedly cautioned against the risk of “unintended consequences”, which included reducing supply by driving good providers out of business and pushing out well-intentioned but underperforming providers who could improve.¹⁴² Both Ministers repeatedly stressed that other councils had managed to rebuff unscrupulous providers using the powers they already had, including through the pilots, and that the situation in Birmingham was “not true for the whole of the country”.¹⁴³ The then Minister for Rough Sleeping and Housing explained that the Government’s intention was first “to work with councils to understand what tools they can have to deploy”, and then only to change legislation to help them “if it is necessary”.¹⁴⁴

52. However, we heard that both a lack of powers and a lack of funding was what held councils back from being able to do more. David Fensome, Chief Executive, Concept Housing Association, said: “the regulation and standards should be set nationally, but local authorities should have considerably more budget and powers to monitor and enforce those regulations”.¹⁴⁵ Guy Chaundy, Senior Manager Housing Strategy, City Housing, Birmingham City Council, said:

The key thing is councils having the resources and the control to provide the oversight so that they can inspect properly. If it is well-resourced, they can work with providers under a regulatory regime to drive up standards.¹⁴⁶

Indeed, the evaluation of the pilots recommended that local authorities’ powers should be strengthened.¹⁴⁷ We have already had cause to mention that councils expressly linked their successes within the pilots to the funding that enabled them to grow their teams.¹⁴⁸ The Government has provided another £20 million through the Supported Housing Improvement Programme, but since councils will have to bid for funding, most councils will not receive any. The former Minister for Rough Sleeping and Housing explained that the intention of the fund is to say: “Let’s prove to you what works and you can determine

138 E.g. London’s Deputy Mayor ([EXA 018](#)), Stepping Stone Projects ([EXA 024](#)), Centrepoint ([EXA 070](#)), Blackpool Council ([EXA 077](#)), City of Bradford Metropolitan District Council ([EXA 088](#)), Luton Homeless Partnership ([EXA 094](#)); [Q68](#); [Q119](#)

139 E.g. Local Government Association ([EXA 020](#)); [Q41](#); [Q68](#); [Q119](#); [Q127](#), [Q139](#)

140 [Q195](#)

141 [Q213](#)

142 [Q161](#); [Q165](#); [Q174](#)

143 [Q161](#); [Q182](#); [Q183](#); [Q207](#)

144 [Q185](#)

145 [Q119](#)

146 [Q58](#)

147 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 8

148 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, pp 25–27, 35, 41

whether you engage it in the future”.¹⁴⁹ The prospectus particularly targets areas of the country that are “experiencing high volume or significant impacts arising from poor quality supported housing provision or unscrupulous landlords operating in their area”.¹⁵⁰

Accreditation

53. There was wide support in our evidence for there to be an accreditation scheme for exempt accommodation providers. Some envisaged a national scheme,¹⁵¹ while others favoured schemes managed by individual local authorities.¹⁵² The idea is that providers would have to meet certain criteria on housing quality and support services in order to gain accreditation. Sam Lister suggested setting up a “graded” scheme that has a minimum grade in order to qualify, and “over time you could gradually increase the level of quality for those that are not operating in bad faith but do not have the knowledge or skills to deal with things properly at the moment”.¹⁵³ The former Minister for Rough Sleeping and Housing was willing to consider the idea of an accreditation scheme, provided that it would “maximise the impact without driving out people through overburdening them”.¹⁵⁴

Conclusion

54. It was clear from our evidence that the quality of provision of exempt accommodation varies greatly and that the poor quality provision puts already vulnerable residents at serious risk. The Government fears “unintended consequences” from further regulation and points to councils that have turned things around within the funding envelope and powers available to them. Yet we received compelling evidence that there need to be national standards for referrals, support, and accommodation and that local authorities are best placed to enforce them. For all the efforts and best practice that Birmingham council has implemented, we still met residents of exempt accommodation in Birmingham living in utterly appalling circumstances, nine months after the Government’s pilots concluded. Two years after the Government published its National Statement of Expectations on the quality of the housing element of exempt accommodation, there are still landlords providing unacceptably poor housing. We welcome the Government’s exploration with councils of referral pathways and its commitment to improving the definition of “care, support or supervision” and setting minimum standards. It is imperative that these standards are not optional.

149 [Q193](#)

150 DLUHC, [Supported Housing Improvement Programme prospectus](#), July 2022

151 St Basils ([EXA 008](#)); West Midlands Combined Authority ([EXA 009](#)); West Midlands Housing Association Partnership ([EXA 012](#)); Centre for the New Midlands ([EXA 032](#)); Sandwell Metropolitan Borough Council ([EXA 035](#)); Spring Housing Association ([EXA 047](#)); Birmingham City Council Conservative Group ([EXA 063](#)); Birmingham Social Housing Partnership ([EXA 067](#)); Sheffield City Council ([EXA 103](#)); Joint Mayoral Response ([EXA 112](#)); Birmingham City Council ([EXA 114](#)); London’s Deputy Mayor for Policing and Crime ([EXA 118](#))

152 Succour Haven CIC ([EXA 026](#)); Commonweal Housing ([EXA 036](#)); Centrepoint ([EXA 070](#)); The Riverside Group Ltd ([EXA 080](#)); Luton Homeless Partnership ([EXA 094](#)); [Q127](#)

153 [Q141](#)

154 [Q212](#)

55. *Within twelve months of the publication of this report, the Government should publish national standards, and give local authorities the power and resources to enforce these standards, in the following areas:*

- *The referral process, which should include an assessment of the prospective resident's support needs and if there are any considerations about with whom they should or should not be housed;*
- *Care, support, or supervision, which should include helping the resident progress towards independence and employment;*
- *The quality of housing; and*
- *Information the provider must give to the resident, including on their rights, particularly their right to work and right to complain.*

56. *Consideration should be given to an accreditation scheme for providers, implemented on a graded basis, so that councils can assess the quality of provision in their area and so that poorer quality providers can improve.*

57. *The Government should provide new burdens funding to local authorities to ensure that they can carry out these duties to the best of their ability, recognising that improving the overall standard of exempt accommodation and making it more consistent is likely to save resources in the long-term. The Government should also carry out an impact assessment to identify and mitigate any unintended consequences.*

58. The patchwork regulation of exempt accommodation has too many holes. We recognise that the exempt accommodation sector is complex with different types of providers, therefore requiring the involvement of multiple regulators. But some providers do not fall under the remit of any regulator, and no regulator has complete oversight of the different elements of exempt accommodation. Later in this report we recommend that all providers be registered, which would mean their oversight of economic and consumer standards was undertaken by the Regulator of Social Housing. We are particularly concerned about the fact that the “care, support, or supervision” element is unregulated except in the specific and limited circumstances where it falls within the Care Quality Commission’s remit. We welcome the Government’s commitment to exploring the regulatory regime to identify whether there are any gaps—but evidence to us expressed total unanimity as to the fact that gaps exist.

59. The different regulators have oversight for different aspects of exempt accommodation, and this means it is not simple to include oversight of exempt accommodation under a single regulator. However, the existing regulators are experts in their own areas and may be able to improve oversight of exempt accommodation if they worked more closely together in a more structured way. We therefore welcome the comment from the Department for Levelling Up, Housing and Communities (DLUHC) that a national oversight body was being considered.

60. *We recommend that a National Oversight Committee be urgently established to address the oversight issues relating to exempt accommodation. Among its functions we expect that it would coordinate awareness of emerging issues, inform the development of policy in this area and develop proposals for reform of the regulatory system. The*

composition of the committee should include the existing regulators—the Care Quality Commission, Regulator of Social Housing, Charity Commission, Financial Conduct Authority and the Office of the Regulator of Community Interest Companies—officials from DLUHC, the Local Government Association, and any other organisation it was thought would make a valuable contribution to improving oversight. One of the committee’s first tasks should be to input into the development of the national standards we have recommended.

3 Data and costs

61. A key challenge of this inquiry has been an inability to determine how widespread the worst examples of exempt accommodation are. A further consequence of this lack of information is not being able to determine whether this taxpayer funded system is delivering value for money. We received worrying evidence that taxpayer money was in fact being exploited for profit at the expense of vulnerable residents. This chapter explores how the Government can get a better grip on the numbers.

Data on exempt accommodation

62. Contributors stressed that one of the key issues with exempt accommodation is that there is no data nationally, and no systematic collection of data.¹⁵⁵ When Members of Parliament have asked, through written parliamentary questions, for even basic information on “how many housing benefit claims for people living in supported exempt accommodation in England” were made last year, or “how much the Government has spent on housing benefit for supported exempt accommodation in England in 2020–21”, the response from DWP has been: “The information requested is not readily available and to provide it would incur disproportionate cost”.¹⁵⁶

63. We did receive some heavily caveated information. The last time a review was conducted was the Supported Accommodation Review in 2016, which estimated that 233,000 people in Great Britain lived in exempt accommodation.¹⁵⁷ This was based on a survey rather than administrative data, and produced only estimates rather than definitive figures.¹⁵⁸ Through Freedom of Information requests made to DWP, Crisis estimated that the number of households (as opposed to individuals) living in exempt accommodation may have grown by 65% percent between 2016 and 2021 (95,149 households in 2016 compared with 156,868 households in 2021).¹⁵⁹ However, Crisis explained that the baseline figures may be an undercount, due to the varying pace with which councils may have implemented changes to data capture rules introduced in 2015—therefore the 65% rate of increase may be an overestimate.¹⁶⁰

64. We also received some data from individual councils covering a range of aspects such as the number of units, providers, bed spaces, and claims, as well as the amount spent on exempt accommodation and average rents.¹⁶¹ The snapshot they provided showed

155 E.g. [Q70](#); [Q123](#); Dr Chris O’Leary (Senior Lecturer at Policy Evaluation and Research Unit, Manchester Metropolitan University) ([EXA 001](#)); Crawley Borough Council ([EXA 002](#)); Joy Allen (Police and Crime Commissioner at Durham Police and Crime Commissioner) ([EXA 011](#)); Anglia Revenues Partnership ([EXA 014](#)); Nottingham Community Housing Association ([EXA 015](#)); Golden Lane Housing ([EXA 016](#)); Grand Union Housing Group ([EXA 017](#)); BCP Council ([EXA 019](#)); Local Government Association ([EXA 020](#)); Philip Shanks ([EXA 021](#)); Bristol Road Neighbourhood Watch ([EXA 022](#)); Stepping Stone Projects ([EXA024](#)); YMCA England & Wales ([EXA 029](#)); Birmingham City Council ([EXA 114](#))

156 [PQ 11707](#) [on Housing Benefit: Supported Housing], 10 June 2021; [PQ 86545](#) [on Housing Benefit], 8 December 2021

157 DWP and DCLG, [Supported Accommodation Review](#), November 2016

158 [Q168](#)

159 Crisis UK ([EXA 043](#))

160 Crisis UK ([EXA 043](#))

161 Hull City Council ([EXA 117](#)); Leeds City Council ([EXA 113](#)); Birmingham City Council ([EXA 114](#)); South Kesteven District Council ([EXA 109](#)); Charnwood Borough Council ([EXA 104](#)); Nottingham City Council and Nottingham City Homes ([EXA 093](#)); City of Bradford Metropolitan District Council ([EXA 088](#)); Derby City Council ([EXA 082](#)); Blackpool Council ([EXA 077](#)); Medway Council ([EXA 054](#)); Preston City Council ([EXA 034](#)); Sunderland City Council ([EXA 033](#)); Welwyn Hatfield Borough Council ([EXA 125](#))

significant variations between councils in terms of the proportion of registered and commissioned providers.¹⁶² These variations between councils underline the uncertainty about how widespread the worst problems are. The then Minister for Rough Sleeping and Housing estimated that there is a “significant problem in perhaps 10% to 15%” of councils, but later admitted that this was a guess.¹⁶³ The then Minister for Welfare Delivery was keen to impress upon us that the situation in Birmingham was “not true for the whole of the country”, whereas Ashley Horsey implied that it is because most of the information has come from Birmingham that there is an impression that problems are only focused there.¹⁶⁴

65. As for how much public money is spent on exempt accommodation, Prospect Housing’s report estimated the annual cost in 2020–21 to be “at least £816 million”.¹⁶⁵ The Comptroller and Auditor General suggested this figure could be much higher:

The SAR [Supported Accommodation Review in 2016] estimated that £2.15 billion was spent on ‘specified accommodation’ across Great Britain. No further breakdown was provided, but as 89% of people in specified accommodation are in exempt accommodation, it is probable that a significant proportion of this is spent on exempt accommodation.¹⁶⁶

66. We tried to obtain data directly from DWP on exempt accommodation for each year from 2015 to 2021. We were constantly told that its data was not of a sufficient quality to share it with a select committee, despite our willingness to accept data with caveats.¹⁶⁷ The issue is that there is under-reporting within local authorities in the housing benefit administrative data of whether a claim is exempt.¹⁶⁸ James Wolfe added that “because local authorities are getting better and better at recording supported accommodation, we don’t know how much of the change over time is a genuine growth in the sector and how much is local authorities reporting better on the accommodation they have”.¹⁶⁹

67. Governments have been aware for at least a decade that robust information about exempt accommodation is not held centrally. Research for DWP published in 2010 and 2016 acknowledged the lack of information, including about the number of people living in exempt accommodation.¹⁷⁰ DWP research in 2013 also found that 26% of British local authorities did not know how many people were living in exempt accommodation in their areas.¹⁷¹ It appears to be only in the last few months that the Government has taken steps to improve the picture. Firstly, in April it introduced improvements to local authorities’

162 Hull City Council ([EXA 117](#)); Birmingham City Council ([EXA 114](#)); City of Bradford Metropolitan District Council ([EXA 088](#)); Blackpool Council ([EXA 077](#)); Medway Council ([EXA 054](#)); Sunderland City Council ([EXA 033](#))

163 [Q147](#); [Q171](#)

164 [Q207](#); [Q123](#)

165 Prospect Supported Housing, *Safe, successful, sustainable: A shared vision for better homes, support and opportunities*, October 2021, p 14

166 [Letter from the Comptroller and Auditor General to the Chair dated 27 July 2022 concerning data on Exempt Accommodation](#)

167 [Letter from the Chair to the Secretary of State for Work and Pensions dated 17 May 2022 concerning data on exempt accommodation](#); [Letter from the Minister for Welfare Delivery to the Chair dated 30 June 2022 concerning exempt accommodation data](#); [Letter from the Chair to the Minister for Welfare Delivery dated 13 July 2022 concerning exempt accommodation data](#)

168 [Letter from the Comptroller and Auditor General to the Chair dated 27 July 2022 concerning data on Exempt Accommodation](#)

169 [Q170](#)

170 DWP, *‘Exempt’ and supported accommodation*, 2010, p 2; DWP and DCLG, *Supported accommodation review: The scale, scope and cost of the supported housing sector*, November 2016, especially p 28.

171 Department for Work and Pensions, *Local Authority Insight - Wave 24*, July 2013, p 80

IT systems, “simplifying the data fields and ... making it mandatory so that new claims are appropriately flagged”.¹⁷² As the then Minister for Welfare Delivery highlighted, since this is for new claims, it will take some time before data quality improvements are seen for the entire exempt accommodation stock.¹⁷³ Secondly, the former Minister for Rough Sleeping and Housing commissioned a data review of the exempt accommodation sector to “understand its size, the demand and its associated costs”.¹⁷⁴ However, that will only give a snapshot in time.

68. Sam Lister pointed out that while more data from DWP is sorely needed, it will not go far enough because housing benefit data will not provide data on the “quality of the support that is being provided” or the “quality of accommodation”.¹⁷⁵ Another gap in data collection that our inquiry threw up was a near complete lack of information on how many providers are registered with which regulators. Neither the Charity Commission, nor the Care Quality Commission, nor the Regulator of Social Housing knew how many services that fell within their regulation were providers of exempt accommodation.¹⁷⁶

Profiting from exempt accommodation

69. Exempt accommodation providers are supposed to be not-for-profit, but we received overwhelming evidence of unscrupulous landlords who claim uncapped housing benefit to make a profit.¹⁷⁷ West Midlands Police offered the following illustration of how this profiteering works—and escalates:

Typically, a provider will purchase or take out a lease on an address (say for £800 rent/mortgage a month in a deprived area of the city), convert every room into a bedroom (thus losing any communal space) then rent out up to five rooms for £1,000 a month, paid for by enhanced housing benefit. The profits from this (£4,200 a month) are used to lease/rent more properties and convert them in to HMOs. Some of the providers are making half a million pounds profit each month and are buying new properties on a weekly basis.¹⁷⁸

Profits can be made through the lease model or through connections between not-for-profit and for-profit organisations or through registered providers outsourcing the care and support element to managing agents that are profit making.¹⁷⁹ Many of the contributions to our inquiry associated profit-making with inadequate levels of support, because the organisation is motivated by financial returns rather than supporting its vulnerable residents.

172 [Q168](#)

173 [Q168](#)

174 [Q195](#), [Q211](#), [Q220](#)

175 [Q125](#)

176 [Q3](#); [Q6](#); [Qq13–14](#)

177 E.g. [Q129](#); Stepping Stone Projects ([EXA 024](#)); Succour Haven CIC ([EXA 026](#)); Preston City Council ([EXA 034](#)); Sunderland City Council ([EXA 033](#)); Commonweal Housing ([EXA 036](#)); YMCA England and Wales ([EXA 029](#)); Soho Road East Neighbourhood Watch ([EXA 038](#)); Crisis UK ([EXA 043](#)); Shabana Mahmood MP ([EXA 064](#)); Praevaleo Ltd ([EXA 048](#)); Changing Lives ([EXA 040](#)); Homeless Link ([EXA 116](#)); Bristol City Council ([EXA 115](#)); Leeds City Council ([EXA 113](#)); Women’s Aid Federation of England ([EXA 046](#))

178 West Midlands Police ([EXA 010](#))

179 Sheffield City Council ([EXA 103](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#)); Birmingham City Council ([EXA 114](#))

How rent levels are set

70. Exempt accommodation is exempt from locally set caps on housing benefit because “the costs of managing shared, supported housing could be higher than the norm”, and “not for profit organisations’ supported housing services may be unviable if benefit levels were limiting using the same rules that applied to mainstream private renting”.¹⁸⁰ In written evidence, Yena Housing explained why their operating costs are higher than for other types of housing:

- significantly higher administration costs due to the turnover of residents;
- insurance for the building, employer liability, and public liability is three times higher than normal houses in multiple occupation;
- repairs, maintenance, and furniture replacement costs are double those of normal houses in multiple occupation;
- they do not take deposits;
- they run it as a business, paying administration costs and corporation tax; and
- they are at risk of housing benefits being suspended at any time.¹⁸¹

71. We heard that profits are made through charging unreasonably high rents. David Fensome argued that there were safeguards in place to prevent unreasonably high rents, saying: “[w]e would not be able to charge higher rents than other comparable organisations in the market. The local authority just would not allow it.”¹⁸² However, councils described how potential providers used Freedom of Information requests to ascertain the level of average rents in order to judge whether it will be profitable for them to enter the market and thus aim for higher rents.¹⁸³ We even heard about the existence of consultants who advise providers on how to maximise their claims for housing benefit.¹⁸⁴ Helen Clipsom, Outreach and Private Rented Options Service Manager, City of Bradford Metropolitan District Council, described the rents set by landlords as “a licence to print money”.¹⁸⁵

72. Claims for exempt housing benefit are processed by councils who can challenge the levels of rent proposed by the provider. A local authority that wishes to restrict the rents charged by exempt accommodation providers must prove that the rent is unreasonably high; that there is suitable alternative accommodation that meets the resident’s needs; that the resident can move to the alternative accommodation; and that it is reasonable for them to do so for the amount of money saved. Our evidence suggested that these criteria were too narrow and made it “a practical impossibility” to challenge rents.¹⁸⁶ Housing benefit decisions can also be challenged at an appeal tribunal.¹⁸⁷ According to the Government’s

180 Crisis, [Tackling problems with non-commissioned exempt housing](#), October 2021

181 Yena Housing ([EXA 056](#))

182 [Q84](#)

183 Bristol City Council ([EXA 115](#)); Medway Council ([EXA 054](#))

184 City of Bradford Metropolitan District Council ([EXA 088](#)); Sunderland City Council ([EXA 033](#)); BCP Council ([EXA 019](#))

185 [Q63](#)

186 Bristol City Council ([EXA 115](#)); Also e.g. Local Government Association ([EXA 020](#)); Anglia Revenues Partnership ([EXA 014](#)); Sunderland City Council ([EXA 033](#))

187 DWP, [Guidance: Housing Benefit guidance for support housing claims](#), 25 May 2022, paras 73–75, 203. See also Bristol City Council ([EXA 115](#))

own pilots, the appeal process “takes a long time and substantial resource, with feedback suggesting that appeals relating to supported housing have a relatively low chance of the decision being upheld”.¹⁸⁸ Funding from the pilots resourced councils to conduct higher levels of housing benefit scrutiny, but these councils also reported being restricted by their limited ability to challenge rent levels: “The pilots have highlighted the complexities and challenges within this system, but it has clearly not changed the system itself”.¹⁸⁹

73. While we received a range of suggestions in evidence for how parameters for rent levels could be set,¹⁹⁰ Nottingham Community Housing Association pointed out that flexibility was needed because a range of factors affect the true cost for providers, including “location, throughput, intensity of support and other services provided”.¹⁹¹ This reflected other evidence that we received that emphasised the differences in costs between areas.¹⁹² We heard that rents should reflect “the actual cost of providing that accommodation”,¹⁹³ and received support for the idea that greater transparency should be required from providers about their costs, financial viability, and links between different parties involved in provision.¹⁹⁴ Providers that we heard from were also willing to support a transparent, open-book approach.¹⁹⁵

74. When we put our concerns to the Ministers, the then Minister for Rough Sleeping and Housing thought it was “understandable” for businesses to use Freedom of Information requests to determine “whether this is a market that I would be able to enter”.¹⁹⁶ Both Ministers supported an open-book approach to rents.¹⁹⁷ On councils’ control of rents, the then Minister for Rough Sleeping and Housing said: “I think that it is for councils to determine what is the appropriate level for rent in their area as best they can and to try to control that. That is something that Government could not be prescriptive about [because of geographical differences in market rates]”.¹⁹⁸

Funding for support

75. Housing benefit cannot be used to fund the care, support, or supervision element, and this was given as a reason for the sometimes inadequate provision. In the past, local authorities could use funds from the ringfenced Supporting People Programme to pay for care, support, or supervision. In 2009 the ringfence was removed, and since 2011 there has been no specific budget line for local authorities for supporting people services.¹⁹⁹ Now, providers fund the support they offer through charitable or commissioned funding or through charging residents a service charge.

188 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 8

189 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 61

190 E.g. YMCA St Paul’s Group ([EXA 060](#)); GreenSquareAccord ([EXA 005](#)); Leeds City Council ([EXA 113](#)); West Devon Borough Council ([EXA 110](#))

191 Nottingham Community Housing Association ([EXA 015](#))

192 Centre for the New Midlands ([EXA 032](#)); Homeless Link ([EXA 116](#)); Hull City Council ([EXA 117](#))

193 Local Government Association ([EXA 020](#)); also Nottingham City Council, Nottingham City Homes ([EXA 093](#)); West Devon Borough Council ([EXA 110](#))

194 Manchester City Council ([EXA 089](#)). See also Nottingham City Council, Nottingham City Homes ([EXA 093](#)) on the links between persons.

195 Nottingham Community Housing Association ([EXA 015](#)); Grand Union Housing Group ([EXA 017](#)); YMCA St Paul’s Group ([EXA 060](#)); Oculus Real Estate ([EXA 095](#)); [Q96](#)

196 [Q185](#)

197 [Qq186–187](#)

198 [Q190](#)

199 *The Supporting People programme*, [Research Paper 12/40](#), House of Commons Library, 16 July 2012

76. The LGA criticised the service charge model for being unfair to residents who are already on low incomes.²⁰⁰ Birmingham City Council described it as “the only model in the welfare system where the cost to the citizen is not means tested”.²⁰¹ Stakeholders also pointed out that requiring people on low incomes to pay for their own support will inevitably not pay for very much support.²⁰²

77. Emmaus UK, a homelessness charity, argued that providers should be able to use housing benefit to fund support costs.²⁰³ Some are already finding ways to do so, bending the housing benefit rules by reclassifying support costs as housing-related costs in order to pay for it through housing benefit.²⁰⁴ Matt Downie, Chief Executive, Crisis, argued that “in order for people with support needs to be properly supported, the support costs need to be separate”.²⁰⁵ Several contributors argued that local authorities should receive separate funding to pay for support,²⁰⁶ including calls for ring-fenced funding similar to the Supporting People programme.²⁰⁷

78. The then Minister for Rough Sleeping and Housing resisted the idea of reinstating ringfenced funding because “it is not for Government centrally to be prescriptive”.²⁰⁸ Indeed, he pointed out that “one of the things that councils seem to frequently be complaining about, particularly with us offering various funding pots, is that we are controlling what they should be spending their money on”.²⁰⁹ The then Minister for Welfare Delivery pointed to the different sources of funding that providers can draw on, such as fundraising and “cross-subsidising funds from other profitable areas like a housing provider”, arguing that this “shows their commitment to want to make care, support and supervision an integral part of their business model”.²¹⁰

Subsidy rules for local authorities

79. Local authorities receive a 100% subsidy for the housing benefit claim if the provider of the exempt accommodation is registered with the Regulator for Social Housing. Where the provider is not registered, the local authority will receive 100% subsidy up to the level of Claim Related Rent or Local Reference Rent. A 60% subsidy is provided in the following circumstances—when:

- The claimant or a member of their family is in a protected group (either being at the qualifying age to receive state pension credit, being recognised by DWP as being unfit for work, or being responsible for a child or young person);
- There is no suitable cheaper accommodation available; or

200 Local Government Association ([EXA 020](#))

201 Birmingham City Council ([EXA 114](#))

202 [Q101](#) (David Fensome, Concept Housing). See also Yenea Housing Ltd ([EXA 056](#)); HMO Action Group ([EXA 076](#))

203 Emmaus UK ([EXA 084](#))

204 Local Government Association ([EXA 020](#)); Spring Housing Association ([EXA 047](#))

205 [Q141](#)

206 West Midlands Housing Association Partnership ([EXA 012](#)); Birmingham Social Housing Partnership ([EXA 067](#)); Green Pastures ([EXA 045](#)); Joint Mayoral Response ([EXA 112](#)); Leeds City Council ([EXA 113](#)); Birmingham City Council ([EXA 114](#))

207 Green Pastures ([EXA 045](#)); YMCA St Pauls Group ([EXA 060](#)); Blackpool Council ([EXA 077](#)); London Borough of Hackney ([EXA 096](#))

208 [Q191](#)

209 [Q191](#)

210 [Q193](#)

- It would be unreasonable to expect the claimant to move into suitable cheaper accommodation.²¹¹

80. This differentiating rate of subsidy attracted strong criticism and no support in evidence to us.²¹² Bournemouth, Christchurch and Poole Council stated: “The providers all offer similar services to meet the needs of the tenants and charge similar rents, so it is difficult to see why the Department continues to treat them differently”.²¹³ Some thought that the rules resulted in less scrutiny by local authorities of registered providers,²¹⁴ or prevented commissioned services provided by non-registered providers from being financially viable.²¹⁵ The LGA highlighted that 23 councils had lost over £1 million each through this subsidy gap, while Charnwood Council was projected to lose nearly £2 million, equivalent to over a quarter of its council tax revenue.²¹⁶

81. When we asked the former Minister for Welfare Delivery to justify this differential, he said: “This is the way that these regulations have been put in place over decades”. He added that “we can start looking at some of these other broader issues” after the priority measures as announced on 17 March had been delivered.²¹⁷

Conclusion

82. **The dearth of data on exempt accommodation shows how successive Governments have been caught sleeping. The Government does not know how much exempt accommodation there is or how many people live in exempt accommodation. The Government claims that poor providers are a minority but has no data to back this up. The Government does not know how many providers are regulated and by which regulators. We know there have been acute problems in Birmingham, for example, which the then Minister for Welfare Delivery said were not happening across the country. Without data, however, it has been very difficult to ascertain the extent of these problems across the country. We welcome the data review commissioned by the Government, but it will only provide a snapshot in time. We also welcome the steps the Department for Work and Pensions (DWP) is taking to improve data collection, but since this will apply only to new claimants it will take time for a reliable national picture to emerge.**

83. ***Within twelve months of publication of this report, the Government must organise the collection, collation and publication of annual statistics at a local authority level on the following:***

- ***The number of exempt accommodation claimants;***
- ***The number of exempt accommodation providers;***

211 MR Associates, [Subsidy calculation when the landlord is a charity, voluntary organisation or English non-metropolitan county council, What is the law on exempt accommodation subsidy?](#); Qq203–204 (David Rutley MP)

212 Anglia Revenues Partnership ([EXA 014](#)); Local Government Association ([EXA 020](#)); Sunderland City Council ([EXA 033](#)); Sandwell Metropolitan Borough Council ([EXA 035](#)); Manchester City Council ([EXA 089](#)); Sheffield City Council ([EXA 103](#)); Charnwood Borough Council ([EXA 104](#)); West Devon Borough Council ([EXA 110](#)); Leeds City Council ([EXA 113](#)); Bristol City Council ([EXA 115](#))

213 BCP Council ([EXA 019](#))

214 Zetetic Housing ([EXA 013](#)); The Salvation Army ([EXA 074](#))

215 Manchester City Council ([EXA 089](#))

216 Local Government Association ([EXA 020](#)); Charnwood Borough Council ([EXA 104](#))

217 [Qq203–204](#)

- *The number of housing units used for exempt accommodation;*
- *The number of exempt accommodation housing units per provider;*
- *The number of exempt accommodation claimants per provider;*
- *The number of exempt accommodation providers registered with different regulators, and commissioned to provide accommodation or support;*
- *The number of providers meeting and failing to meet the national standards we set out; and*
- *The amount of money paid by both the DWP and the local authority in exempt accommodation housing benefit.*

84. The Government has no idea how much taxpayer money is spent on exempt accommodation, nor what this money is spent on. It cannot know whether the current system is delivering value for money. Millions of pounds are being poured into exempt housing benefit with no guarantee that vulnerable residents will get the support they need. In some cases, vulnerable residents who are likely to have low incomes have to pay for support out of their own pockets. It is quite possible that the Government does not need to spend more on exempt accommodation but to spend more wisely.

85. *The Government should conduct a review of exempt housing benefit claims to determine how much is being spent and on what. Rent should be capped at a reasonable level that meets the higher costs of managing exempt accommodation. Funding for support should be provided separately.*

86. Providers of exempt accommodation are supposed to be not-for-profit, and there are many responsible providers, some of whom gave evidence to us. However, we also heard that the current system offers a licence to print money to those who wish to exploit it. We do not agree with the former Minister that using Freedom of Information requests to determine potential rent levels is a viable business model. Instead it gives the impression of a cartel pushing up rent levels and pocketing the excess at the expense of vulnerable residents and the taxpayer. The bar for local authorities to challenge rent levels is too high and appeals have rarely found in the council's favour. *Eligibility for funding for exempt accommodation must be based on an open-book, transparent breakdown of the accommodation and the support costs incurred to the provider. The Government should consider how to give councils greater control over rents for exempt accommodation to ensure value for money.*

87. The Government was unable to provide a satisfactory justification, let alone an explanation, as to why DWP reimburses councils for 100% of housing benefit if the provider is registered but only 60% if it is not registered, leaving the council to pick up the rest of the tab. *The same 100% subsidy should be paid by DWP whether or not the provider is registered. Later in this report we recommend that all providers be registered. While this will result in increased costs for DWP, this is likely to be offset by savings resulting from implementing our recommendations to drive out unscrupulous, profit-driven providers.*

4 Planning and licensing

88. We have already considered arguments for giving local authorities greater control over and responsibility for the quality of exempt accommodation. We also received calls to give local authorities greater control over and responsibility for the quantity of exempt accommodation. This came down to two levers: local strategies for exempt accommodation, and the planning system.

Local strategies

89. Many suggested that local authorities should assess the need for exempt accommodation provision in their area and develop strategies for meeting that need.²¹⁸ Succour Haven CIC and Commonweal Housing both suggested in evidence that having such a strategy would help councils to identify and control any issues arising from exempt accommodation.²¹⁹ Some also suggested that there is a direct link between local strategies and the quality of provision: Golden Lane Housing and the Learning Disability and Autism Housing Network both suggested that poor quality provision was sometimes due to “poor strategic planning” at a local level; while Philip Shanks, a retired social worker and co-founder of an exempt accommodation provider, suggested that standards are higher when the local authority has a good strategy in place.²²⁰

90. The councils that participated in the Government’s pilots carried out activities around both strategic planning and managing new provision. These activities included surveying and talking to providers, assessing the demand for exempt accommodation, visiting properties, and doing background research.²²¹ Participating authorities did find that they were better able to manage supply of exempt accommodation and deter or prevent poor providers from entering the market.²²² However, the pilots made clear that the councils faced the following barriers to implementing these strategies:

- A lack of control;
- The inability of councils to de-commission provision that they did not commission; and
- If the housing benefit claim meets all qualifying criteria, the council has no legal grounds on which to withhold payment, even if the provision does not align with its strategy or assessment of need or demand.²²³

218 E.g. St Basils ([EXA 008](#)); West Midlands Combined Authority ([EXA 009](#)); West Midlands Housing Association Partnership ([EXA 012](#)); Centre for the New Midlands ([EXA 032](#)), Crisis UK ([EXA 043](#)), Birmingham Social Housing Partnership ([EXA 067](#)), Sheffield City Council ([EXA 103](#)); HMO Action Group ([EXA 076](#)); [Q70](#); [Q127](#)

219 Succour Haven CIC ([EXA 026](#)); Commonweal Housing ([EXA 036](#))

220 Golden Lane Housing ([EXA 016](#)); Learning Disability and Autism Housing Network ([EXA 041](#)); Philip Shanks ([EXA 021](#))

221 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, pp 33–34

222 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 66

223 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, pp 68, 71 Cf. [Q58](#); Leeds City Council ([EXA 113](#))

Lack of affordable mainstream housing

91. The pilots also found that councils' strategic planning activities were affected by the amount of access to affordable mainstream housing in their area. The evaluation report of the pilots found that "not all of those being referred by Housing Options teams to supported housing had support needs in addition to their housing need; single homeless people tended to be placed in supported accommodation by default, due to a lack of affordable mainstream accommodation".²²⁴ Our evidence echoed the idea that demand for exempt accommodation was driven by a lack of affordable mainstream housing, both for residents of exempt accommodation to move on to and to prevent residents from being placed in exempt accommodation in the first place.²²⁵ As Matt Downie put it: "When exempt accommodation was brought in, in 1995–96, in England around 57,000 additional units of social rent were brought in. Last year, it was more like 6,000 or 7,000".²²⁶

Lack of powers for councils

92. Though we received evidence expressing support for local strategies, we were told, similarly to what was revealed by the Government's pilots, that councils did not have sufficient powers to make a success of implementing exempt accommodation strategies and controlling local provision.²²⁷ Manchester City Council explained to us that this is because, in cases where planning permission is not required, "there is no legal obligation for exempt accommodation providers to engage with the council".²²⁸ Preston City Council shared with us the example of a time when staff informed a new provider that the council did not require its provision, but the provider "completely ignored the strategic approach we are trying to take" and then opened three new properties.²²⁹ Spring Housing Association outlined the potential consequences of this lack of control:

This can lead to an oversupply; to providers seeking out wider and more varied referral routes and taking on 'riskier' clients in order to fill rooms. The financial imperative to 'fill void bedspaces' in accommodation that has not been rigorously assessed for area-based suitability and need can take precedence over proper risk assessments around client groups. This can also lead to other local areas 'exporting' their more problematic, or 'difficult to house' clients into areas with a perceived abundance of available spaces.²³⁰

93. On 17 March 2022, the then Minister for Rough Sleeping and Housing announced the Government's "intention to take forward a package of measures that will include ... New powers for local authorities in England to better manage their local supported housing market and ensure that rogue landlords cannot exploit the system to the detriment of vulnerable residents and at the expense of taxpayers".²³¹ Cathy Page told us

224 DLUHC, [Evaluation of the Supported Housing Oversight Pilots](#), April 2022, p 67

225 Birmingham Social Housing Partnership ([EXA 067](#)); National Housing Federation ([EXA 101](#)); Birmingham City Council ([EXA 114](#)); Crisis UK ([EXA 043](#)); London's Deputy Mayor for Policing and Crime ([EXA 018](#))

226 [Q139](#)

227 Centre for the New Midlands; Birmingham Social Housing Partnership ([EXA 067](#))

228 Manchester City Council ([EXA 089](#)); see also Sheffield City Council ([EXA 103](#))

229 Preston City Council ([EXA 034](#))

230 Spring Housing Association ([EXA 047](#))

231 HC Deb, 17 March 2022, [col 50W5](#) [Commons written ministerial statement]

that the Department was “looking to see what kind of powers we may need to give local authorities” and that they were holding discussions with local authorities, providers and other key stakeholders in relation to this.²³²

Planning and licensing

94. One of the reasons that councils lack control over the extent and spread of exempt accommodation, we were told, is because of exemptions within the planning system. Firstly, providers of exempt accommodation that are registered with the Regulator of Social Housing are exempt from HMO (House in Multiple Occupation) licensing requirements. Stakeholders suggested that extending HMO licensing to exempt accommodation would give councils more control over the spread of provision.²³³ For example, under HMO licensing, local authority environmental health teams can close down properties.²³⁴ Secondly, by being excluded from the HMO definition, registered providers are also exempt from Article 4 directions. Article 4 directions give councils, if they choose to impose them, the ability to restrict the change of use of a property under permitted development rights. Where there is a relevant Article 4 direction in place, a change of use to an HMO would require planning permission. Since registered providers of exempt accommodation are exempt from these, it is more difficult for councils to manage their growth in line with a strategy based on need.²³⁵ Thirdly, there is also a loophole for non-registered providers who would otherwise fall into the definition of HMO. While HMOs with seven or more residents automatically require planning permission, a property with six or fewer residents living together as a single household where care is provided for residents can be classed as a single household (Use Class C3) as opposed to a small HMO where the residents are unrelated and care is not provided (Use Class C4), again avoiding the need for planning permission.²³⁶ Permitted development rights allow the change of use from Class 3 to Class 4 without the need to apply for planning permission.

95. The then Minister for Rough Sleeping and Housing was reluctant to consider changes to the planning system to deal with some of the issues around exempt accommodation. He said: “I personally do not think that planning reform is the tool that is going to drive up standards”, explaining that if the overall quality of provision was raised, anti-social behaviour would reduce and “people would be less likely to notice [exempt accommodation] in their area or in their street”.²³⁷ He pointed to councils, such as Birmingham and Blackpool, that had made good use of the Article 4 direction.²³⁸ He also pointed out that councils had very different outcomes in terms of the expansion of provision, with the same planning tools available to them, giving the example that over a four-year period the number of units in Birmingham increased by 92% while in Manchester it dropped by 70–80%.²³⁹ Additionally, Denise Hatton, National Secretary and CEO, YMCA of England and

232 [Q150](#)

233 E.g. Salvation Army ([EXA 074](#)); HMO Action Group ([EXA 076](#))

234 Expert Link ([EXA 073](#))

235 Spring Housing Association ([EXA 047](#)); Birmingham City Council Conservative Group ([EXA 063](#)); Joint Mayoral Response ([EXA 112](#)); St Basils ([EXA 008](#)); Birmingham City Council ([EXA 114](#)); West Midlands Combined Authority ([EXA 009](#)); West Midlands Housing Association Partnership ([EXA 012](#)); [Q71](#)

236 Community Partnership for Selly Oak ([EXA 050](#)); HMO Action Group ([EXA 076](#)); Antrobus Road Residents' Action Group ([EXA 100](#))

237 [Q215](#)

238 [Q215](#)

239 [Q216](#); [Q175](#)

Wales, was nervous that introducing more planning regulations may enable communities to block the development of specialist accommodation that is needed in an area because “[n]obody really wants difficult, complex young people in their area”.²⁴⁰

96. We note that, in spite of the Article 4 direction in Birmingham, and in spite of the efforts made in Manchester, both councils told us that they do not have enough powers to control provision, for the reasons already given above.²⁴¹ Councillor Sharon Thompson, Chair, Homelessness Taskforce Members Advisory Group, West Midlands Combined Authority, gave compelling reasons beyond the quality of provision as to why councils need more control. First was around balancing provision with other housing need: “we have so many properties that are being flicked into exempt accommodation when our biggest need is family housing”.²⁴² Second was being able to control the density of exempt accommodation in an area: a high concentration “attracts people who want to manipulate people who are vulnerable”.²⁴³

Conclusion

97. **The former Minister was reluctant to consider changes to the planning system, arguing that some councils are having successes with the planning tools available to them, and that raising the overall quality will reduce the negative impacts on communities and in turn reduce the need to control the spread of exempt accommodation. However, our evidence pointed out that there is a limit to what local strategies for exempt accommodation can achieve without planning reforms. Councils need the ability to manage supply in line with locally assessed need. They need to be able to balance the provision of much needed family housing. They also need the ability to control the density of exempt accommodation because areas of high concentration can attract those with malicious intent to exploit vulnerable residents.**

98. **The Government, in its written ministerial statement in March and in evidence to us, said it intends to take forward measures that will include new powers for local authorities to better manage their local supported housing market. *We recommend that these measures include planning reforms that would assist councils to implement local strategies for exempt accommodation based on an assessment of need.***

99. ***Specifically, we recommend that the Government end the existing exemptions that registered providers have from HMO licensing and the Article 4 direction. Furthermore, we recommend that the loophole relating to non-registered providers with properties containing six or fewer residents also be addressed so that they are brought within the planning regime. This action would prevent there being a change of use without planning permission, which would be a much-needed tool to enable local authorities to balance the provision of exempt accommodation with other housing need and to control the density of exempt accommodation in an area.***

240 [Q115](#)

241 Manchester City Council ([EXA 089](#)); Birmingham City Council ([EXA 114](#)); [Q58](#); [Q71](#)

242 [Q71](#)

243 [Q71](#)

100. Demand for exempt accommodation is driven in part by a shortage of affordable homes. To solve the issues found in exempt accommodation the Government must solve the wider housing crisis. *We reiterate the recommendations from our 2020 report, “Building more social housing”—in particular, our call on the Government to build 90,000 social rent homes a year.*

5 Models of exempt accommodation

101. As the previous chapters have shown, one of the biggest challenges with exempt accommodation is the very many different models of providers. Through our inquiry we sought to establish whether an appropriate balance was being struck across these models and whether they affected the quality of provision. Our inquiry suggested that there was a place for both registered and non-registered providers, and for both commissioned and non-commissioned providers. However, our evidence pointed to some issues with the lease-based model, which is more often found among non-commissioned providers, that need addressing.

Registered versus non-registered providers

102. Many stakeholders said that, in the absence of data, it is not possible to demonstrate whether registered or non-registered providers offer a higher quality of provision. One school of thought was that, due to the greater regulation that comes with being registered with the Regulator of Social Housing, registered providers offer better quality provision and better value for money.²⁴⁴ Crawley Borough Council also suggested that non-registered providers charge “significantly higher rents” as their lack of access to funding forces them “to turn to private equity provision”.²⁴⁵ On the other hand, others pointed out that some non-registered providers offer an excellent service,²⁴⁶ in many cases niche or specialised services which “add diversity to the market”.²⁴⁷ On the regulation point, some said that there are still issues with quality and poor governance among some registered providers, as we saw in chapter 2.²⁴⁸ Additionally, the costs of requiring small providers to register could curtail other charitable work by charitable providers, or prevent them from setting up at all.²⁴⁹ Centrepont told us that barriers exist around becoming a registered provider, “namely the costs and additional reporting requirements, and the fact that smaller providers reliant on charitable and grant funding may struggle to meet the financial viability requirements of the Regulator of Social Housing”. They argued that while the regulation of exempt accommodation may be overseen by the Regulator of Social Housing, they did not believe that becoming a registered provider should be a necessary precondition to delivering supported accommodation.²⁵⁰

Commissioned versus non-commissioned providers

103. The arguments about commissioned versus non-commissioned provision were similar to those made about registered versus non-registered. Some felt that commissioned accommodation, because of its greater oversight by local authorities, was

244 E.g. YMCA England & Wales ([EXA 029](#)); Empower Housing Association ([EXA 031](#)); Centre for the New Midlands ([EXA 032](#)); Midland Heart ([EXA 069](#)); Hilldale Housing Association ([EXA 083](#)); Prospect Housing Limited ([EXA 086](#))

245 Crawley Borough Council ([EXA0 02](#)). See also Anglia Revenues Partnership ([EXA 014](#))

246 Zetetic Housing ([EXA 013](#)); Centrepont ([EXA 070](#)); L’Arche ([EXA 071](#)); Signposts (Luton), Luton Homeless Partnership ([EXA 094](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#)); Domestic Abuse Commissioner for England and Wales ([EXA 120](#)); [Q53](#) (Cllr Jory)

247 Philip Shanks ([EXA 021](#))

248 E.g. Prospect Housing ([EXA 086](#)); Zetetic Housing ([EXA 013](#))

249 E.g. YMCA England and Wales ([EXA 029](#)); St Petros ([EXA 025](#))

250 Centrepont ([EXA 070](#))

of superior quality.²⁵¹ Indeed, much of our evidence suggested that problems with exempt accommodation were more prevalent among non-commissioned providers.²⁵² However, as with non-registered providers, we heard that many non-commissioned providers offer an excellent, often specialised, service.²⁵³ We heard from Henry Meacock that St Petros went so far as to “move away from delivering commissioned services, because we believe we can support individuals better by being non-commissioned”.²⁵⁴ Some also felt that non-commissioned provision was cheaper and more flexible.²⁵⁵ Ashley Horsey argued that it simply “is not a realistic prospect” for all services to be commissioned,²⁵⁶ while the former Minister for Rough Sleeping and Housing pointed out that “[e]ven during the heyday of Supporting People”, where public funding was available for support services (see chapter 2), “we would not have had solely commissioned accommodation”.²⁵⁷

The lease-based model

104. One model that was singled out for concern, which is particularly prevalent among non-commissioned provision, is the lease-based model.²⁵⁸ On this model, the entity that owns the property is for-profit, and leases the property to a not-for-profit entity which delivers the management and care services, often through agencies.²⁵⁹ The not-for-profit entity may be a private company or a registered provider.²⁶⁰ We heard that this is a perfectly legitimate model: the London Borough of Hackney explained that “it enables genuine supported not-for-profit providers to access the market where due to high capital values they could not afford to buy properties outright”.²⁶¹ However, it said, alongside several other contributors, that problems arise when actors exploit this model for profit.²⁶² Because the landlord meets the criteria for uncapped housing benefit but the owner of the property sits outside those regulations, the uncapped rent can be pocketed as a “disguised profit income stream”,²⁶³ and hidden through “complex legal structures”.²⁶⁴ Sometimes the not-for-profit entity has close links to the investors and has only been set up as a “front”.²⁶⁵

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- 251 GreenSquareAccord ([EXA 005](#)); St Basils ([EXA 008](#)); Nottingham Community Housing Association ([EXA0015](#)), Philip Shanks ([EXA 021](#)); Empower Housing Association ([EXA 031](#)); Sunderland City Council ([EXA 033](#)); National Care Forum ([EXA 068](#)); Hilldale Housing Association ([EXA 083](#)); Institute of Revenues, Rating and Valuation ([EXA 090](#)); Nottingham City Council, Nottingham City Homes ([EXA 093](#)); Oculus Real Estate ([EXA 095](#)); London Borough of Hackney ([EXA 096](#)); National Housing Federation ([EXA 101](#)); Sheffield City Council ([EXA 103](#)); Leeds City Council ([EXA 113](#)); Birmingham City Council ([EXA 114](#)); Bristol City Council ([EXA 115](#)); [Q52](#); [Q53](#)
- 252 E.g. GreenSquareAccord ([EXA 005](#)); St Basils ([EXA 008](#)); BCP Council ([EXA 019](#)); Centre for the New Midlands ([EXA 032](#))
- 253 Centrepoint ([EXA 070](#)). See also Signposts (Luton), Luton Homeless Partnership ([EXA 094](#)); Commonwealth Housing ([EXA 036](#)); National Housing and Domestic Abuse Policy and Practice Group ([EXA 105](#)); Domestic Abuse Commissioner for England and Wales ([EXA 120](#))
- 254 [Q111](#)
- 255 Birmingham Social Housing Partnership (BSHP) ([EXA 067](#)); Green Pastures ([EXA 045](#)); Homeless Link ([EXA 116](#))
- 256 [Q128](#)
- 257 [Q208](#)
- 258 E.g. Local Government Association ([EXA 020](#))
- 259 HMO Action Group ([EXA 076](#))
- 260 Sandwell Metropolitan Borough Council ([EXA 035](#))
- 261 London Borough of Hackney ([EXA 096](#)); cf. Local Government Association ([EXA 020](#))
- 262 E.g. London Borough of Hackney ([EXA 096](#)); Manchester City Council; West Devon Borough Council; Sandwell Metropolitan Borough Council ([EXA 035](#)); Local Government Association ([EXA 020](#)); HMO Action Group ([EXA 076](#))
- 263 Manchester City Council ([EXA 089](#))
- 264 London Borough of Hackney ([EXA 096](#))
- 265 Manchester City Council ([EXA 089](#))

105. Manchester City and West Devon Borough Councils gave examples of property market manipulation, whereby a company buys and sells properties on the same day at great profit because of the high yields they expect to gain from leasing the properties for exempt accommodation. Manchester gave this example: “a property was bought for £575,000 and sold on the same day for £1.8 million. This was then presented to us by the lessee ... as a new specified accommodation scheme with a high core rent (lease rent)”.²⁶⁶ In West Devon’s example, a portfolio of 12 properties were sold to a special purpose vehicle for £6 million and resold on the same day to an offshore investment company for £18 million.²⁶⁷ Cllr Jory explained: “That was done on the back of increasing the rents, through turning the tenants into exempt housing benefit tenants and increasing the rent on a 25-year lease in order to get that return over the period of the lease”.²⁶⁸

106. When we put our concerns about the lease-based model to the Ministers, the former Minister for Rough Sleeping and Housing agreed that the Government needs “to clamp down on the cases Where people are making an inordinate amount of profit. That is my intention through the work we are doing”.²⁶⁹ However, he once again pointed to councils using the tools they already have “to drive some of these people out of the market”.²⁷⁰

Conclusion

107. **The multitude of models of exempt accommodation produces a complex landscape with no guarantee of quality. We have heard concerns about the quality of non-commissioned exempt accommodation, but have also been provided with good examples of specialist non-commissioned providers. Likewise, in the absence of data, it has not been possible to demonstrate whether registered or non-registered providers offer a higher quality of provision. Therefore, the implementation of our recommendations on standards, oversight and costs should be implemented across all models to ensure overall quality is improved and value for money is delivered across the piece. The improved data collection that we recommend should be monitored and analysed to determine whether models of exempt accommodation should be streamlined in the future.**

108. *We also recommend that action be taken to address this complex landscape, by making it compulsory for all providers to be registered. A mechanism is required to ensure that there is better quality provision and that standards are maintained. Good providers will have nothing to fear from registration, while the bad providers can have their registration removed. We heard some concerns that the cost and additional reporting requirements of being registered may impact on smaller providers, particularly those reliant on charitable and grant funding. We do not see why this is the case, or why it should continue to be so. Registering should not be unnecessarily onerous or expensive, and if it is that should change. Therefore, we call upon the Regulator of Social Housing to take action to make it easier for smaller providers of exempt accommodation to register with them.*

266 Manchester City Council ([EXA 089](#))

267 West Devon Borough Council ([EXA 110](#)); [Q55](#)

268 [Q55](#)

269 [Q175](#)

270 [Q175](#)

109. The lease-based model has its place in exempt accommodation, by enabling access to properties for decent providers who would otherwise not be able to purchase properties outright. However, it can be exploited by those whose primary objective is to make huge profits at the expense of the taxpayer: we received examples of profits in the millions of pounds. *The Government must set out how it will clamp down on those exploiting the lease-based model for profit and prohibit lease-based profit-making schemes from being set up. This should include how it will ensure that there is full transparency over ownership structures and how income from housing benefit is being used.*

Conclusions and recommendations

The lived experience of residents and communities

1. An unknown but significant number of residents' experiences of exempt accommodation are beyond disgraceful. Taxpayers' money is being spent on uncapped housing benefit on the understanding that residents, who are usually vulnerable, receive some care, support, or supervision—yet it is clear that some people's situations actually deteriorate as a result of the shocking conditions in which they live. We heard of squalid environments, vermin, drug-taking, crime and abuse. We heard of people with a history of substance misuse being housed with drug dealers, and of survivors of domestic abuse being housed with perpetrators of such abuse. The support on offer is sometimes little more than a loaf of bread left on a table or a support worker shouting at the bottom of the stairs to check on residents. (Paragraph 31)
2. Since areas with high concentrations of exempt accommodation can attract anti-social behaviour, crime, rubbish, and vermin, neighbours and communities are affected negatively as well as residents. These impacts risk undermining local support for supported housing. (Paragraph 32)
3. It is egregious that organisations with no expertise are able to target survivors of domestic abuse and their children and provide neither specialist support nor an appropriate or safe environment. *Where a prospective resident of exempt accommodation is a survivor of domestic abuse, there must be a requirement that housing benefit is only paid to providers that have recognised expertise and meet the standards in Part 4 of the Domestic Abuse Act 2021. This must be implemented alongside increased supply of specialist services: the Government's Supported Housing Improvement Programme offers an opportunity to develop an evidence-based, survivor-led model of exempt accommodation for survivors of domestic abuse and their children.* (Paragraph 33)
4. Due to the scarcity of data on exempt accommodation, our inquiry was unable to establish how widespread the very worst experiences are either among residents or among local communities. Where the very worst experiences are occurring, this points to a complete breakdown of the system which calls for immediate action from Government. Implementing our recommendations in this report will go some way to improving the quality of provision for residents and managing the impact on communities. (Paragraph 34)

Improving and overseeing the quality of provision

5. It was clear from our evidence that the quality of provision of exempt accommodation varies greatly and that the poor quality provision puts already vulnerable residents at serious risk. The Government fears “unintended consequences” from further regulation and points to councils that have turned things around within the funding envelope and powers available to them. Yet we received compelling evidence that there need to be national standards for referrals, support, and accommodation and that local authorities are best placed to enforce them. For all the efforts and best

practice that Birmingham council has implemented, we still met residents of exempt accommodation in Birmingham living in utterly appalling circumstances, nine months after the Government's pilots concluded. Two years after the Government published its National Statement of Expectations on the quality of the housing element of exempt accommodation, there are still landlords providing unacceptably poor housing. We welcome the Government's exploration with councils of referral pathways and its commitment to improving the definition of "care, support or supervision" and setting minimum standards. It is imperative that these standards are not optional. (Paragraph 54)

6. *Within twelve months of the publication of this report, the Government should publish national standards, and give local authorities the power and resources to enforce these standards, in the following areas:*
 - *The referral process, which should include an assessment of the prospective resident's support needs and if there are any considerations about with whom they should or should not be housed;*
 - *Care, support, or supervision, which should include helping the resident progress towards independence and employment;*
 - *The quality of housing; and*
 - *Information the provider must give to the resident, including on their rights, particularly their right to work and right to complain. (Paragraph 55)*
7. *Consideration should be given to an accreditation scheme for providers, implemented on a graded basis, so that councils can assess the quality of provision in their area and so that poorer quality providers can improve. (Paragraph 56)*
8. *The Government should provide new burdens funding to local authorities to ensure that they can carry out these duties to the best of their ability, recognising that improving the overall standard of exempt accommodation and making it more consistent is likely to save resources in the long-term. The Government should also carry out an impact assessment to identify and mitigate any unintended consequences. (Paragraph 57)*
9. The patchwork regulation of exempt accommodation has too many holes. We recognise that the exempt accommodation sector is complex with different types of providers, therefore requiring the involvement of multiple regulators. But some providers do not fall under the remit of any regulator, and no regulator has complete oversight of the different elements of exempt accommodation. Later in this report we recommend that all providers be registered, which would mean their oversight of economic and consumer standards was undertaken by the Regulator of Social Housing. We are particularly concerned about the fact that the "care, support, or supervision" element is unregulated except in the specific and limited circumstances where it falls within the Care Quality Commission's remit. We welcome the Government's commitment to exploring the regulatory regime to identify whether there are any gaps—but evidence to us expressed total unanimity as to the fact that gaps exist. (Paragraph 58)

10. The different regulators have oversight for different aspects of exempt accommodation, and this means it is not simple to include oversight of exempt accommodation under a single regulator. However, the existing regulators are experts in their own areas and may be able to improve oversight of exempt accommodation if they worked more closely together in a more structured way. We therefore welcome the comment from the Department for Levelling Up, Housing and Communities (DLUHC) that a national oversight body was being considered. (Paragraph 59)
11. *We recommend that a National Oversight Committee be urgently established to address the oversight issues relating to exempt accommodation. Among its functions we expect that it would coordinate awareness of emerging issues, inform the development of policy in this area and develop proposals for reform of the regulatory system. The composition of the committee should include the existing regulators—the Care Quality Commission, Regulator of Social Housing, Charity Commission, Financial Conduct Authority and the Office of the Regulator of Community Interest Companies—officials from DLUHC, the Local Government Association, and any other organisation it was thought would make a valuable contribution to improving oversight. One of the committee’s first tasks should be to input into the development of the national standards we have recommended.* (Paragraph 60)

Data and costs

12. The dearth of data on exempt accommodation shows how successive Governments have been caught sleeping. The Government does not know how much exempt accommodation there is or how many people live in exempt accommodation. The Government claims that poor providers are a minority but has no data to back this up. The Government does not know how many providers are regulated and by which regulators. We know there have been acute problems in Birmingham, for example, which the then Minister for Welfare Delivery said were not happening across the country. Without data, however, it has been very difficult to ascertain the extent of these problems across the country. We welcome the data review commissioned by the Government, but it will only provide a snapshot in time. We also welcome the steps the Department for Work and Pensions (DWP) is taking to improve data collection, but since this will apply only to new claimants it will take time for a reliable national picture to emerge. (Paragraph 82)
13. *Within twelve months of publication of this report, the Government must organise the collection, collation and publication of annual statistics at a local authority level on the following:*
 - *The number of exempt accommodation claimants;*
 - *The number of exempt accommodation providers;*
 - *The number of housing units used for exempt accommodation;*
 - *The number of exempt accommodation housing units per provider;*
 - *The number of exempt accommodation claimants per provider;*

- *The number of exempt accommodation providers registered with different regulators, and commissioned to provide accommodation or support;*
 - *The number of providers meeting and failing to meet the national standards we set out; and*
 - *The amount of money paid by both the DWP and the local authority in exempt accommodation housing benefit. (Paragraph 83)*
14. The Government has no idea how much taxpayer money is spent on exempt accommodation, nor what this money is spent on. It cannot know whether the current system is delivering value for money. Millions of pounds are being poured into exempt housing benefit with no guarantee that vulnerable residents will get the support they need. In some cases, vulnerable residents who are likely to have low incomes have to pay for support out of their own pockets. It is quite possible that the Government does not need to spend more on exempt accommodation but to spend more wisely. (Paragraph 84)
15. *The Government should conduct a review of exempt housing benefit claims to determine how much is being spent and on what. Rent should be capped at a reasonable level that meets the higher costs of managing exempt accommodation. Funding for support should be provided separately. (Paragraph 85)*
16. Providers of exempt accommodation are supposed to be not-for-profit, and there are many responsible providers, some of whom gave evidence to us. However, we also heard that the current system offers a licence to print money to those who wish to exploit it. We do not agree with the former Minister that using Freedom of Information requests to determine potential rent levels is a viable business model. Instead it gives the impression of a cartel pushing up rent levels and pocketing the excess at the expense of vulnerable residents and the taxpayer. The bar for local authorities to challenge rent levels is too high and appeals have rarely found in the council's favour. *Eligibility for funding for exempt accommodation must be based on an open-book, transparent breakdown of the accommodation and the support costs incurred to the provider. The Government should consider how to give councils greater control over rents for exempt accommodation to ensure value for money. (Paragraph 86)*
17. The Government was unable to provide a satisfactory justification, let alone an explanation, as to why DWP reimburses councils for 100% of housing benefit if the provider is registered but only 60% if it is not registered, leaving the council to pick up the rest of the tab. *The same 100% subsidy should be paid by DWP whether or not the provider is registered. Later in this report we recommend that all providers be registered. While this will result in increased costs for DWP, this is likely to be offset by savings resulting from implementing our recommendations to drive out unscrupulous, profit-driven providers. (Paragraph 87)*

Planning and licensing

18. The former Minister was reluctant to consider changes to the planning system, arguing that some councils are having successes with the planning tools available

to them, and that raising the overall quality will reduce the negative impacts on communities and in turn reduce the need to control the spread of exempt accommodation. However, our evidence pointed out that there is a limit to what local strategies for exempt accommodation can achieve without planning reforms. Councils need the ability to manage supply in line with locally assessed need. They need to be able to balance the provision of much needed family housing. They also need the ability to control the density of exempt accommodation because areas of high concentration can attract those with malicious intent to exploit vulnerable residents. (Paragraph 97)

19. The Government, in its written ministerial statement in March and in evidence to us, said it intends to take forward measures that will include new powers for local authorities to better manage their local supported housing market. *We recommend that these measures include planning reforms that would assist councils to implement local strategies for exempt accommodation based on an assessment of need.* (Paragraph 98)
20. *Specifically, we recommend that the Government end the existing exemptions that registered providers have from HMO licensing and the Article 4 direction. Furthermore, we recommend that the loophole relating to non-registered providers with properties containing six or fewer residents also be addressed so that they are brought within the planning regime. This action would prevent there being a change of use without planning permission, which would be a much-needed tool to enable local authorities to balance the provision of exempt accommodation with other housing need and to control the density of exempt accommodation in an area.* (Paragraph 99)
21. Demand for exempt accommodation is driven in part by a shortage of affordable homes. To solve the issues found in exempt accommodation the Government must solve the wider housing crisis. *We reiterate the recommendations from our 2020 report, “Building more social housing”—in particular, our call on the Government to build 90,000 social rent homes a year.* (Paragraph 100)

Models of exempt accommodation

22. The multitude of models of exempt accommodation produces a complex landscape with no guarantee of quality. We have heard concerns about the quality of non-commissioned exempt accommodation, but have also been provided with good examples of specialist non-commissioned providers. Likewise, in the absence of data, it has not been possible to demonstrate whether registered or non-registered providers offer a higher quality of provision. Therefore, the implementation of our recommendations on standards, oversight and costs should be implemented across all models to ensure overall quality is improved and value for money is delivered across the piece. The improved data collection that we recommend should be monitored and analysed to determine whether models of exempt accommodation should be streamlined in the future. (Paragraph 107)
23. *We also recommend that action be taken to address this complex landscape, by making it compulsory for all providers to be registered. A mechanism is required to ensure that there is better quality provision and that standards are maintained. Good providers will have nothing to fear from registration, while the bad providers can have their*

registration removed. We heard some concerns that the cost and additional reporting requirements of being registered may impact on smaller providers, particularly those reliant on charitable and grant funding. We do not see why this is the case, or why it should continue to be so. Registering should not be unnecessarily onerous or expensive, and if it is that should change. Therefore, we call upon the Regulator of Social Housing to take action to make it easier for smaller providers of exempt accommodation to register with them. (Paragraph 108)

24. The lease-based model has its place in exempt accommodation, by enabling access to properties for decent providers who would otherwise not be able to purchase properties outright. However, it can be exploited by those whose primary objective is to make huge profits at the expense of the taxpayer: we received examples of profits in the millions of pounds. *The Government must set out how it will clamp down on those exploiting the lease-based model for profit and prohibit lease-based profit-making schemes from being set up. This should include how it will ensure that there is full transparency over ownership structures and how income from housing benefit is being used. (Paragraph 109)*

Annex: The Committee's visit to Birmingham

The evidence we received for our inquiry made it clear that there had been a large increase in the amount of exempt accommodation in Birmingham and that this had raised many concerns. We decided to visit Birmingham in order to hear directly from residents, neighbours, councillors, and council and police officers. The visit took place on Thursday 16 June 2022 and comprised:

- An escorted walk around the Stockland Green ward;
- An engagement event with residents of exempt accommodation; and
- A presentation and discussion with representatives of the Exempt Accommodation Forum, made up of neighbourhood and community groups.²⁷¹

We would like to thank all those who helped to organise or participated in the visit. We would particularly like to thank the residents of exempt accommodation for talking to us so honestly, bravely, and knowledgeably about the challenges they have faced and how they think improvements can be made.

Walk around Stockland Green

The Stockland Green ward in Erdington, in the north of Birmingham, has 418 exempt accommodation properties, comprising 1,217 units operated by 32 providers. The ward contains roughly 6% of all exempt accommodation in Birmingham but accounts for 11% of the total recorded complaints, issues and enquiries relating to exempt accommodation. We were accompanied on our walk around Stockland Green by local councillors, council officers, representatives from the local community group Pioneer, and West Midlands Police. They made the following points:

- Rents for a room can be £230/week;
- Four providers, all registered with the Regulator of Social Housing, provide over 70% of all the exempt accommodation properties in Birmingham (Reliance Social Housing (38%), Concept Housing (16%), Ash Shahada (11%), and Sustain UK (7%));
- One of the largest providers was refusing at the time of our visit to sign up to Birmingham Council's voluntary Charter of Rights;
- There were high volumes of calls to police in the area, including reports of serious offences;
- The main problems stemmed from the worst providers being non-commissioned. When properties have been decommissioned for being unsuitable, they have been taken over by other providers who reuse them;

271 [Birmingham EA Forum on Exempt Accommodation presentation](#)

- Criminal organisations can use exempt accommodation as a front for money laundering. They can make has much money from providing exempt accommodation as from drug dealing;
- A challenge with identifying a lack of support for residents is that it requires them to come forward. If they do, there will be a review of their housing benefit claim. This puts them at risk of losing their benefits and therefore being unable to pay their rent. Residents who get a job can also risk losing their benefits;
- Support workers often lack training, deal with 45–50 residents, and are not required to have a criminal records check; and
- Residents can get trapped in exempt accommodation, with some residents with complex needs living in exempt accommodation for long periods of time, for example four years.

We were also told about the Safer Streets Project being run on Slade Road in Stockland Green, which had received funding to:

- Increase the number of streetlights and cameras;
- Help the community form organisations such as litter groups and forums; and
- Carry out security checks on residents.

Roundtable event with residents

We heard from eleven people either with experience of living in exempt accommodation or who work closely with those who live in exempt accommodation. Several common themes emerged during the discussion:

Lack of adequate support

Participants felt that the support being provided was inadequate, with one describing the situation as “an absolute farce”. The typical allocation of support of one hour a week was thought to be too low, and that low bar was often not being met. For some, support amounted only to signing a form or a telephone call. One person had not been supported to fill out an application for social housing during the last four years. Another had signed up to training courses, such as for improving personal finance skills, which never took place. The service charge that was supposed to fund one participant’s support was instead spent on “wi-fi and a cleaner”. Attendees complained that the local council had not asked them whether they were receiving the support they needed.

The quality of support workers was also felt to be poor. Participants felt that it was too easy to get a job as a support worker, and that they lacked training. Some support workers were intimidating, while others were intimidated by the work of supporting people with complex needs. The turnover of support workers was extremely high—one person had five support workers in four weeks. One support worker was reported to have quit, having met with residents for 20 minutes, on moral grounds that they had not received any training.

An attendee said that they never knew if their support worker was gone to turn up; if they did, they might stay only for 15 minutes as they had spent 45 minutes travelling to the appointment.

Lack of assessment beforehand

Concerns were raised about the adequacy of the assessment process. One person had received no assessment of their support needs, while another person's assessment had lasted just 20 minutes. Participants felt the lack of assessment was a key factor in people being inappropriately housed together, for example people recovering from drug addiction being housed with people struggling with drug addiction. We were also told that providers refused to house people together if they knew each other. The lack of prior assessment meant that a person using a wheelchair was allocated an upstairs room, in a house that was not wheelchair accessible. This had left them dependent on their housemates to get through the front door or to their room.

Participants also felt that the lack of assessment led to problems with behaviour within the property that had a negative impact on their welfare and mental health. We were told about incidences of violence, including the brandishing of machetes and individuals setting themselves on fire. Despite this, bedroom door locks either did not exist or were not changed after a change in resident or an incident. The attendees said these experiences greatly increased their anxiety levels, which for one attendee had led to weight loss and for another had exacerbated the sense of isolation that followed from the loss of connection with family members. For an attendee who had moved into exempt accommodation because they had been offered mental health support, the experience had worsened their mental health. One participant said they preferred to sleep by the canal with the rats, rather than remain in their accommodation.

Poor quality of exempt accommodation housing

The physical condition of the exempt accommodation could also be shocking. For instance, one participant was asked to move into a room "covered in bodily fluids". Others described disrepair and unhygienic conditions, with problems taking a long time to be fixed. In one case 2½ weeks were taken to clear up a sewage leak in a garden; in another 6 weeks were taken to fix a toilet seat; in a third, a door handle was replaced with a screw; and in a fourth there was no fridge freezer for five weeks. We were also told that gas and electricity bills were not being paid by providers, while the landlord retained control of the meter, meaning that residents could not pay for utilities themselves. Another property had no internet for six weeks, which made it impossible for one resident to work from home and for another to look for jobs.

Costs and contracts

One participant's rent was £244/week, with a £15 weekly service charge to cover support and £13 for electricity. Another attendee's rent was £229/week, with a £20 weekly service charge for utilities and the internet. Despite these high costs, rooms can be very small—one person's room was 2 x 5 metres. It was repeated that exempt accommodation is a "trap". Residents had to sign a 59-page contract that did not detail the landlord's obligations. One

participant described the difference between what is sold and the reality as the difference between day and night. Yet attendees felt they could not complain as this risked immediate eviction, because they had a licence contract and not a tenancy.

Problems getting a job

Participants told us that they could not work full time because they would lose their housing benefit and therefore be unable to pay their rent. At the same time, they did not have long enough to build up a deposit to rent in the private sector. Instead, they could only work for 14 hours a week. We were told that providers preferred potential residents to be receiving universal credit. Providers also demanded access to individuals' personal universal credit accounts, and when people moved in, they were required to agree that landlords could claim benefits on their behalf. Because of this, some residents worked for cash in hand while simultaneously claiming benefits.

Ways to improve things

Participants had the following recommendations:

- Proper monitoring of providers and vetting of landlords;
- Character profiling of residents to ensure a suitable mix; and
- Banning adverts on sites such as Gumtree and Facebook.

Event with neighbourhood groups

We received a presentation from the Exempt Accommodation Forum which included six case studies detailing the challenges in particular roads across Birmingham.²⁷² The forum consists of neighbourhood and community groups from across Birmingham who have concerns about the rise of exempt accommodation. Key points from the presentation and following discussion included:

Growth of exempt accommodation

Mapping the growth of exempt accommodation was only possible because forum members submitted freedom of information requests to obtain the data. Their efforts showed that 64% of Birmingham's exempt accommodation was concentrated in 20 of the city's 69 wards. The forum was particularly concerned that there had been an increase in exempt accommodation offered by non-compliant providers, and that there had been an increase in the use of smaller family houses for exempt accommodation in order to avoid planning controls.

Impact on the community

Members described major problems with fly-tipping, rubbish, cockroaches, and vermin, leading to fire and health risks. They also described how exempt accommodation was putting a strain on public services such as GP surgeries and causing the loss of local shops

272 [Birmingham Exempt Accommodation Forum presentation](#)

whose shopkeepers cannot sell their goods or afford security personnel. They added that the spread of exempt accommodation was causing existing residents to move out of the area.

There was a palpable sense of frustration from the members of the forum, summed up as a “pervading sense of hopelessness”. A participant referred to the “daily grind” of worrying about the risk to their children, abuse from some residents of exempt accommodation, rubbish spilling over into the streets, and the fear that more exempt accommodation would replace family houses. We were told that “people who have lived in the area for many years have had enough”.

Problems with support for residents

Due to a lack of support, some residents can be seen begging and others remain addicted to drugs. For some, “care, support, or supervision” is little more than a 17-year-old girl handing out foodbank vouchers once a week. One resident of exempt accommodation had had 10 support workers in 12 months. Forum members felt that service charges cannot pay for adequate support, and so the “good” providers are either commissioned or charity-funded. There is no incentive for providers to encourage people to move on, as they will lose their housing benefit if they get a job.

Experiences of residents

One part of the presentation was delivered by an outreach worker who assists residents of exempt accommodation. She said:

- Exempt accommodation properties lack private spaces for residents to meet family and support workers;
- There was a poor mixing of people—for example, housing former drug rehab attendees with drug users and promises of women-only exempt accommodation not being delivered, with victims of domestic abuse having to live with men with a history of sexual abuse;
- There were instant offers of accommodation being given without seeking information on or even the names of the residents. Licence agreements were backdated when they were provided. This also meant residents had fewer rights to bring forward complaints and to protect against eviction;
- Service charges were being paid in cash without receipts and support plans had been falsified. Landlords had benefits paid directly to them as residents lacked bank accounts, and deducted the service charge;
- Accommodation can have damp and mould; no electricity, gas or hot water, or with hot water remotely controlled; and faeces on walls. There is no accommodation for people with pets;
- Residents might be required to do work for providers for little or no pay—for example, receiving a pint of milk for tidying the bathroom. There had been

an HMRC investigation in Selly Oak, which had focused on cash-payments and illegal workers being used for construction work, but not on the exempt accommodation aspects;

- Women were asked for sex in return for promises of better accommodation;
- Currently, residents of exempt accommodation are invisible, being hidden among the community. Not all the people need the support aspect of exempt accommodation, just somewhere to live; and
- The experiences of people who go through exempt accommodation meant they could end up permanently damaged. There had been “terrible exploitation of these people—they are not supported in any sense at all, in fact their condition is worse”.

Lack of oversight

The approach to dealing with problems was described as “whack-a-mole”, since, members described, the police are under-resourced and have a high turnover. One neighbourhood group received responses from only two of the eleven providers to whom they had complained about problems with drugs, anti-social behaviour, and rubbish. Members described as scandalous the fact that providers do not need to be accredited. Members felt that a lack of transparency about who owns and runs the properties, the source of their funding, and whether they pay tax in the UK, impeded efforts to deal with problems. The forum had repeatedly requested a meeting with the Regulator of Social Housing, which had been ignored, and all the while the two largest non-compliant providers had been able to grow in size.

Ways to improve things

Suggestions included:

- Introducing a cap on the number of providers and units of exempt accommodation in a given area;
- Replacing non-commissioned exempt accommodation as soon as possible with commissioned provision, with accreditation as an interim measure;
- Stronger powers for the Regulator of Social Housing, and a dedicated team within the Regulator to focus on exempt accommodation;
- Applying the Social Housing (Regulation) Bill’s requirements to residents with licences as well as tenancies;
- More powers for local authorities over planning and licencing, including the removal of exemptions from HMO regulations;
- Classing exempt accommodation as a business so that owners are liable for business rates and waste disposal;
- Improving the definition of care, support, or supervision, and improving the skills and availability of support workers;

- Regular property inspections, focusing on “homes not rooms”;
- A high-level investigation by the HMRC and National Crime Agency into corruption and criminality;
- Increased resources for local authorities; and
- Increased provision of general-needs housing.

It was firmly underlined that this is a national problem requiring national action, and that “the money is the answer here”, since “millions of pounds of money is being misspent”, which needs to be redirected and used intelligently.

Formal minutes

The following declarations of interest were made at meetings relating to Exempt Accommodation:

28 March 2022

Clive Betts declared that he was a Vice-President of the Local Government Association (also declared on 27 April and 4 July).

Kate Hollern declared that she employed a councillor in her office (also declared on 27 April and 4 July).

Mohammad Yasin declared that he was a member of the Bedford Town Deal Board.

27 April 2022

Andrew Lewer declared that he was a Vice-President of the Local Government Association.

Mary Robinson declared that she employed a councillor in her office (also declared on 4 July).

4 July 2022

Sara Britcliffe declared that she was the Treasurer of the All-Party Parliamentary Group on Temporary Accommodation.

Ian Byrne declared that he employed a councillor in his office.

Ben Everitt declared that he employed a councillor in his office.

Darren Henry declared that employed a councillor in his office.

Wednesday 19 October 2022

Members present:

Mr Clive Betts, in the Chair

Ian Byrne

Kate Hollern

Mary Robinson

Mohammad Yasin

Draft report (*Exempt Accommodation*) proposed by the Chair, brought up and read.

Ordered, That the report be read a second time, paragraph by paragraph.

Paragraphs 1 to 109 read and agreed to.

Summary agreed to.

Annex agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

[Adjourned until Monday 24 October at 3.30pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 28 March 2022

Paul Latham, Director of Communication and Policy, Charity Commission; **Jonathan Walters**, Deputy Chief Executive, Regulator of Social Housing; **Debbie Ivanova**, Deputy Chief Inspector, Care Quality Commission (CQC)

[Q1–43](#)

Cllr Neil Jory, Leader, West Devon Borough Council; **Helen Clipsom**, Outreach and Private Rented Options Service Manager, City Of Bradford Metropolitan District Council; **Cllr Sharon Thompson**, Chair of the Homelessness Taskforce Members Advisory Group, West Midlands Combined Authority; **Guy Chaundy**, Senior Manager Housing Strategy, City Housing, Birmingham City Council

[Q44–71](#)

Wednesday 27 April 2022

Denise Hatton, National Secretary and CEO, YMCA England & Wales; **Henry Meacock**, Chief Executive, St Petrocs; **David Fensome**, Chief Executive, Concept Housing Association

[Q72–121](#)

Matt Downie, Chief Executive, Crisis; **Ashley Horsey**, Chief Executive, Commonweal Housing; **Sam Lister**, Policy and Practice Officer, Chartered Institute of Housing; **Farah Nazeer**, Chief Executive, Women's Aid Federation of England

[Q122–141](#)

Monday 4 July 2022

Eddie Hughes MP, Minister for Rough Sleeping and Housing, Department for Levelling Up, Housing and Communities; **Cathy Page**, Deputy Director for Supported Housing, Domestic Abuse and Home Adaptations (Disabled Facilities Grant), Department for Levelling Up, Housing and Communities; **David Rutley MP**, Minister for Welfare Delivery, Department for Work and Pensions; **James Wolfe**, Director, Disability and Housing Support, Department for Work and Pensions

[Q142–223](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

EXA numbers are generated by the evidence processing system and so may not be complete.

- 1 Alden, Councillor Robert (Leader of Birmingham City Council Conservative Group, Birmingham City Council) ([EXA0063](#))
- 2 Allen, Joy (Police and Crime Commissioner, Durham Police and Crime Commissioner) ([EXA0011](#))
- 3 Anglia Revenues Partnership ([EXA0014](#))
- 4 Anonymous, ([EXA0023](#))
- 5 Anonymous, ([EXA0051](#))
- 6 Anonymous, ([EXA0003](#))
- 7 Antrobus Road Residents' Action Group (ARRAG) ([EXA0100](#))
- 8 Association of Police and Crime Commissioners ([EXA0107](#))
- 9 BCP Council ([EXA0019](#))
- 10 Barnardo's ([EXA0102](#))
- 11 Birmingham City Council ([EXA0114](#))
- 12 Birmingham Social Housing Partnership (BSHP) ([EXA0067](#))
- 13 Blackpool Council ([EXA0077](#))
- 14 Brandwood Together (Residents Association) ([EXA0098](#))
- 15 Bristol City Council ([EXA0115](#))
- 16 Campbell Tickell Ltd ([EXA0044](#))
- 17 Care Quality Commission (CQC) ([EXA0121](#))
- 18 Centre for the New Midlands ([EXA0032](#))
- 19 Centrepoint; Mary Seacole Housing Association; Falcon Support Services; New Roots; Young People and Children First; and Horizons North East ([EXA0070](#))
- 20 Changing Lives ([EXA0040](#))
- 21 Charnwood Borough Council ([EXA0104](#))
- 22 Chartered Institute of Housing ([EXA0122](#))
- 23 Chartered Institute of Housing ([EXA0123](#))
- 24 Chartered Institute of Housing ([EXA0058](#))
- 25 City Of Bradford Metropolitan District Council ([EXA0088](#))
- 26 Commonweal Housing ([EXA0036](#))
- 27 Community Partnership for Selly Oak ([EXA0050](#))
- 28 Crawley Borough Council ([EXA0002](#))
- 29 Crisis UK ([EXA0043](#))
- 30 Derby City Council ([EXA0082](#))
- 31 Domestic Abuse Commissioner for England and Wales ([EXA0120](#))

- 32 Emmaus UK ([EXA0084](#))
- 33 Empower Housing Association ([EXA0031](#))
- 34 Entrain Space ([EXA0087](#))
- 35 Expert Link ([EXA0073](#))
- 36 Ferber, Rozanne ([EXA0099](#))
- 37 First Priority Housing Association Limited ([EXA0062](#))
- 38 Gill, Preet Kaur (Member of Parliament for Birmingham, Edgbaston, House of Commons) ([EXA0108](#))
- 39 Golden Lane Housing ([EXA0016](#))
- 40 Grand Union Housing Group ([EXA0017](#))
- 41 Green Pastures ([EXA0045](#))
- 42 GreenSquareAccord Limited ([EXA0005](#))
- 43 HBV Group ([EXA0065](#))
- 44 Handsworth Helping Hands ([EXA0018](#))
- 45 Heywood, Mrs Frances (retired housing researcher, member of HMOAG Birmingham but speaking as myself) ([EXA0079](#))
- 46 Hilldale Housing Association ([EXA0083](#))
- 47 Homeless Link ([EXA0116](#))
- 48 Horizons North East ([EXA0030](#))
- 49 Hull City Council ([EXA0117](#))
- 50 Inclusion Group ([EXA0007](#))
- 51 Institute of Revenues, Rating and Valuation ([EXA0090](#))
- 52 John, Mrs Danielle (Secretary, Langleys Road - Oak Tree Lane - Bristol Road Neighbourhood Watch); and Barham, Mrs Christine (Vice Chair person, Langleys Road - Oak Tree Lane - Bristol Road Neighbourhood Watch) ([EXA0022](#))
- 53 Joint Mayoral Response ([EXA0112](#))
- 54 Kumar, Mr Devinder ([EXA0027](#))
- 55 L'Arche ([EXA0071](#))
- 56 Learning Disability and Autism Housing Network; and Golden Lane Housing ([EXA0041](#))
- 57 Leeds City Council ([EXA0113](#))
- 58 Local Government and Social Care Ombudsman (LGSCO) ([EXA0006](#))
- 59 London Borough of Hackney ([EXA0096](#))
- 60 London's Deputy Mayor for Policing and Crime ([EXA0118](#))
- 61 Lotus Sanctuary CIC ([EXA0039](#))
- 62 Mahmood MP, Shabana ([EXA0064](#))
- 63 Manchester City Council ([EXA0089](#))
- 64 Medway Council ([EXA0054](#))
- 65 Midland Heart ([EXA0069](#))
- 66 Moseley Regeneration Group ([EXA0081](#))

- 67 Murphy, Dr. Patrick (Clinical Psychologist, NHS) ([EXA0053](#))
- 68 National Care Forum ([EXA0068](#))
- 69 National Fire Chiefs Council ([EXA0091](#))
- 70 National Housing Federation ([EXA0101](#))
- 71 National Housing and Domestic Abuse Policy and Practice Group ([EXA0105](#))
- 72 Nottingham City Council; and Nottingham City Homes ([EXA0093](#))
- 73 Nottingham Community Housing Association ([EXA0015](#))
- 74 Oculus Real Estate ([EXA0095](#))
- 75 Office of the West Midlands Police and Crime Commissioner ([EXA0061](#))
- 76 O’Leary, Dr Chris (Senior Lecturer, Policy Evaluation and Research Unit, Manchester Metropolitan University) ([EXA0001](#))
- 77 Praevaleo Ltd t/a Michael Patterson ([EXA0048](#))
- 78 Preston City Council ([EXA0034](#))
- 79 Progress Housing Group Ltd ([EXA0059](#))
- 80 Prospect Housing Limited ([EXA0086](#))
- 81 Regulator of Social Housing ([EXA0078](#))
- 82 Resonance ([EXA0092](#))
- 83 Sanctuary ([EXA0085](#))
- 84 Sandwell Metropolitan Borough Council ([EXA0035](#))
- 85 Shanks, Phil (Independent board member/advisor, various) ([EXA0021](#))
- 86 Sheffield City Council ([EXA0103](#))
- 87 Signposts (Luton); and Luton Homeless Partnership ([EXA0094](#))
- 88 Soho Road East Neighbourhood Watch ([EXA0038](#))
- 89 South Kesteven District Council ([EXA0109](#))
- 90 South Yorkshire Housing Association ([EXA0042](#))
- 91 Spring Housing Association ([EXA0047](#))
- 92 St Basils ([EXA0008](#))
- 93 St Mungo’s ([EXA0111](#))
- 94 St Petros ([EXA0025](#))
- 95 Stepping Stone Projects ([EXA0024](#))
- 96 Succour Haven CIC ([EXA0026](#))
- 97 Sunderland City Council ([EXA0033](#))
- 98 The Ashley Foundation ([EXA0119](#))
- 99 The Connection at St Martins ([EXA0037](#))
- 100 The HMO Action Group; and Deer’s Leap Residents Association, Summerfield Streetwatch, Safer Neighbourhoods Partnership Group, Brandwood Together, NEAT (North Edgbaston Action Team), Langleys Road Neighbourhood Watch, Handsworth Wood Residents Association, Perry Barr Constituency Housing Action Group, North Moseley Residents, the Community Partnership for Selly Oak. ([EXA0076](#))
- 101 The Local Government Association ([EXA0020](#))

- 102 The Riverside Group Ltd ([EXA0080](#))
- 103 The Salvation Army ([EXA0074](#))
- 104 Wellings, Mr Neil (Resident, Yenea Housing); and Tembi, Miss McKenzie (Resident, Yenea Housing) ([EXA0066](#))
- 105 Westmoreland Supported Housing Limited ([EXA0075](#))
- 106 Welwyn Hatfield Council ([EXA0125](#))
- 107 West Devon Borough Council ([EXA0110](#))
- 108 West Midlands Combined Authority ([EXA0009](#))
- 109 West Midlands Combined Authority (WMCA) Faith Strategic Partnership Group ([EXA0049](#))
- 110 West Midlands Fire Service ([EXA0106](#))
- 111 West Midlands Housing Association Partnership (WMHAP); and Citizen Housing ([EXA0012](#))
- 112 West Midlands Police ([EXA0010](#))
- 113 Women's Aid Federation of England ([EXA0124](#))
- 114 Women's Aid Federation of England ([EXA0046](#))
- 115 YMCA England & Wales ([EXA0029](#))
- 116 YMCA St Paul's Group ([EXA0060](#))
- 117 Yenea Housing Ltd ([EXA0056](#))
- 118 Zetetick Housing ([EXA0013](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2022–23

Number	Title	Reference
1st	The regulation of social housing	HC 18
2nd	Long-term funding of adult social care	HC 19

Session 2021–22

Number	Title	Reference
1st	The future of the planning system in England	HC 38
2nd	Local authority financial sustainability and the section 114 regime	HC 33
3rd	Permitted Development Rights	HC 32
4th	Progress on devolution in England	HC 36
5th	Local government and the path to net zero	HC 34
6th	Supporting our high streets after COVID-19	HC 37
7th	Building Safety: Remediation and Funding	HC 1063
8th	Appointment of the Chair of the Regulator of Social Housing	HC 1207

Session 2019–21

Number	Title	Reference
1st	Protecting rough sleepers and renters: Interim Report	HC 309
2nd	Cladding: progress of remediation	HC 172
3rd	Building more social housing	HC 173
4th	Appointment of the Chair of Homes England	HC 821
5th	Pre-legislative scrutiny of the Building Safety Bill	HC 466
6th	Protecting the homeless and the private rented sector: MHCLG's response to Covid-19	HC 1329
7th	Cladding Remediation—Follow-up	HC 1249