



Legislative Consent Motion for the Welfare Reform Bill Evidence from Shelter Scotland

1. Summary

- Shelter Scotland would like the Scottish Parliament to take a wide view in considering the impact of the Welfare Reform Bill (WRB), and in particular, the implications for Scotland's internationally acclaimed homelessness legislation and devolved policy.
- Shelter Scotland supports the principle of a 'Universal Credit' and recognises the need to reform the benefits system, however, we do not support many of the specific provisions contained within the Welfare Reform Bill.
- The combined impact of the measures in the WRB will, we believe, add to the challenge of meeting the 2012 commitment which says that all unintentionally homeless households will be entitled to a permanent home. Scottish Government analysis of the welfare reform cuts points to rising levels of homelessness and hardship. These cuts not only undermine the recent progress local authorities have made in preventing homelessness, but will also threaten their ability to remedy homelessness.

2. Who claims housing subsidy in Scotland?

In February 2011, there were over 470, 000 working age claimants of housing benefit in Scotland. Around 18 percent of claimants are in the Private Rented Sector (and get Local Housing Allowance), and around 82 percent of claimants are in the social rented sector. This amounts to 60 per cent of all social housing tenants in Scotland¹.

Social security is the largest item of public expenditure and housing benefit is the second largest component. In 2009/10, the total bill for housing benefit in Scotland was £1.56 billion, and this figure will have risen significantly since then as rents have increased and the number of people reliant on housing benefit will have grown as a result of economic downturn.

The average amount of housing benefit paid across Scotland is £66.62 a week, but this masks a variation between local authority tenants who on average claim £59.40 per week, and tenants of private landlords for whom the average claim is £97.37 per week.

¹ Communities Analytical Services, Scottish Government (December 2010) Housing Benefit changes: Scottish Impact Assessment.

3. How will the Welfare Reform Bill undermine the housing safety net?

Shelter Scotland supports the principles of Universal Credit, the major piece of reform contained in the WRB, and recognises the need for reform of the benefits system. Measures to tackle work disincentives and simplify the system are welcome. **However**, the Bill will also introduce a second wave of cuts to housing benefit, **undermining the housing safety net** for people who lose their jobs and need temporary financial help to keep their homes, as well as affecting those who are in work but on very low incomes, or who are unable to work due to disability. Although the UK Government has committed that no claimant will lose out when UC is introduced, this claim is based on levels of benefit *after* the first and second round of cuts have taken effect.

4. How is housing benefit being cut?

The first round of cuts which took place in April 2011 included:

- **Removal of the £15 excess payments** with Local Housing Allowance (LHA), **limiting LHA to the four bed rate and caps at each rate of LHA** with upper limits of £400 per week for a four bedroom property
- Setting the level of **LHA at the 30th percentile** of market rents rather than the 50th percentile
- The rate of non-dependant deductions has also been increased which affects tenants in the social and private rented sectors. This may impact on the numbers of young people who are asked to leave the family home.
- Cumulatively these changes have affected **55,000 households** in Scotland by an average of **£10 per week**

The UK Government has also laid secondary legislation that will extend the **shared room rate** to apply to everyone under the age of 35 (previously it related to everyone under the age of 25). This will apply to all new claimants from January 2012, with existing claimants phased in later. Losses will vary across Scotland from £17.31 to £54.23 a week, but are all large enough to severely restrict, if not eliminate, the possibility of use of non-shared accommodation for the under 35s. Around 7,500 claimants would be impacted with the vast majority being in Edinburgh and Glasgow. The change will restrict the options of this group and limit the ability of local authorities to place single homeless people in private rented accommodation as a way of meeting their homelessness duties.

The second round of cuts to be brought in by the Welfare Reform Bill will further impact on the affordability of accommodation for low income households or those reliant on housing benefit due to an inability to work. They include:

- **New size criteria for working age households in the social rented sector** which will penalise those who are under-occupying their homes, whether or not there is any suitably sized alternative accommodation available for them. Estimates suggest that nearly 100,000

tenants in Scotland are in property too large for their family size: 75,800 affected households under occupying by 1 bedroom and 19,600 affected households under occupying by 2 or more bedrooms. Scottish tenants would look to lose about £9 per week for 1 bedroom under occupancy and about £16 per week for 2 or more bedrooms under. Rents vary a lot over Scotland so the loss will be higher in higher rent areas. Scottish Government evidence shows that across all social tenants in Scotland, according to the new criteria, 60 per cent require, but only 26 per cent actually have, one bedroomed accommodation. Evidence also shows that there is a shortage of one bedroom properties, with 22 out of 32 Local Authorities in Scotland not having sufficient one bed roomed homes to meet the demand for them. For many households hit by a cut to their housing benefit, moving will not be a possibility.

- **Increasing the rate for Local Housing Allowance by the Consumer Price Index (CPI)** rather than evidence of market rents. Past experience has shown that the CPI has risen at a lower rate than annual increases in market rents that are currently captured by the Rent Registration Service in Scotland. Unlike RPI, the CPI basket of goods does not include housing costs.
- **Cap on household benefits payments** on the basis of median earnings after tax for working households. Currently this is £500 per week for couples and families (£26,000 per annum) and £350 per week for single people. This cap comes on top of all the other cuts and is particularly a threat to the ability of households to meet housing costs. Basing a cap on a national average of income is a crude measure that does not take into account the wide variations that exist in the cost of housing across the country.

5. What is the impact on Scotland?

The cumulative effect of cuts to housing benefit, on the back of which Universal Credit will be introduced, gives rise to serious concern. Large areas of Scotland will be out of reach to low income households, potentially severely restricting access to employment and exacerbating worklessness. Many of the detrimental impacts of the cuts are shared across all areas of the UK, however, there are also impacts that will be felt more particularly in Scotland due to geographic or policy differences:

- Each successive restriction in housing benefit levels will reduce the availability of affordable accommodation to low income households. Particularly in remote or rural areas of Scotland where the private rented market is sparse, or where there is a limited supply of social rented properties, households could be left with a choice between moving far away from jobs, friends and family to find affordable housing, or accepting higher rents leading to hardship, rent arrears and homelessness.
- Almost all of the changes to housing benefit will have the potential to impact adversely on the 2012 homelessness commitment by both increasing the number of homeless presentations, and reducing the options available to councils to prevent homelessness or secure settled homes. Individual measures, such as changes to the shared room rate and

plans for direct payment of rent, may put tenants at risk of arrears or eviction. Other changes, such as uprating by CPI or the new size criteria in the social rented sector, may have cumulative impacts that will make housing more difficult to sustain.

- The interconnectedness of the housing system will make it inevitable that cuts felt in one area, such as private renting, will result in increased homelessness presentations to local authorities. Scottish Government estimates that there will be 3000 more homeless presentations during the period of transition taking into account only the first two cuts, the move to basing LHA on the 30th percentile of rents and removal of the £15 excess.
- The introduction of new size criteria for tenants in the social rented sector, which would restrict housing benefit for working age claimants under-occupying their home, will have particular significance for Scotland. Although households over pension age are not affected, this cut will hit disabled people, foster carers, families with young children and working families on low incomes. Shelter Scotland believes that this measure is poorly targeted, punitive and will do little to address the problem of overcrowding. The UK Government is anticipating that households who cannot afford to make up the difference in rent and stay in their homes, will be moved into smaller accommodation by their housing provider. However, Scottish Government analysis has shown that there is a chronic undersupply of one bedroom properties in Scotland as a result of a policy of building 'lifetime' homes in the social rented sector that are flexible and designed to meet the needs of families as they grow. Scottish landlords will have a relatively high number of working age tenants under-occupying their stock and may therefore find an impact on their rental incomes.

6. Conclusions

The proposals contained in the Welfare Reform Bill represent a complex and significant set of changes to the welfare support system. We have only been able to give a flavour of the main concerns relating to housing and homelessness and the key impacts for Scotland in this briefing.

Shelter, along with other UK organisations, has been actively seeking changes to the proposals, working directly with the DWP and through lobbying MPs as the Bill progresses through Parliament. Many of our concerns have not been satisfactorily addressed by the UK Government. We urge the Committee to take the opportunity afforded consideration of the Legislative Consent Motions to fully examine the implications of this Bill for Scotland and devolved powers.

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