

Shelter Scotland briefing on the “bedroom tax”

Summary

- Shelter Scotland strongly opposes the introduction of the ‘bedroom tax’ and the blunt and unfair way it is targeted. From April 2013, working age socially rented tenants will have a proportion of their housing benefit cut if they are deemed to have spare bedrooms beyond their household need.
- In Scotland an estimated 105,000 people will be affected, roughly 20% of all social tenants, and Cosla estimates that 40% of those will fall into rent arrears because they simply don’t have enough money to pay. A number of groups should be exempt from the cut – particularly disabled people, foster carers and separated parents with co-visitation rights – and because they are not, there will be large numbers of people forced into financial difficulties, rent arrears and homelessness.
- The policy aim is to make a cost saving for the Treasury but is predicated on the assumption that people will be able to make up the shortfall from other income, or will be able to move to a smaller property. Evidence from both north and south of the border shows this is not the case and both tenants and landlords now face a series of difficult financial decisions about how to respond to these changes.
- Shelter Scotland will continue to campaign against these reforms and to lobby both Westminster and Holyrood to mitigate the impacts of this and other welfare reforms. However, given the timeframe for implementation, social landlords should be taking the following actions to prepare for and to mitigate the impact:
 1. **Identify tenants affected:** and their options including their ability to make up the shortfall, downsize within existing stock, mutual exchange and shared tenancies. Current and future allocations should be made in line with the housing benefit size criteria which will be in place from April 2013. If allocations are made that result in under-occupation, tenants should be made aware of future implications.
 2. **Planning for use of Discretionary Housing Payments (DHP):** to maximise the pot of discretionary funding available to try and safeguard income for landlords and mitigate against the risk of increased rent arrears. This will help to make up the shortfall for the most vulnerable tenants.
 3. **Policy decision not to evict tenants who accrue ‘bedroom tax’ arrears:** All those who can pay their rent, must do so, but Shelter Scotland believes all landlords should make the policy decision not to evict those who are forced into arrears solely due to unfair cuts in their benefit entitlement.

What is the 'bedroom tax'?

From April 2013, working age socially rented tenants will have a proportion of their housing benefit cut if they are deemed to have spare bedrooms beyond their household need. The cut will be a fixed percentage of the housing benefit eligible rent at a rate of: 14% for one extra bedroom and 25% for two or more extra bedrooms. This has become known as the 'bedroom tax' or under-occupation penalty. The size criteria will allow for one bedroom per person or couple with the following exceptions:

- Children under 16 of same gender expected to share
- Children under 10 expected to share regardless of gender
- Disabled tenant or partner who needs non-resident overnight carer will be allowed an extra bedroom

Who will be affected in Scotland?

Across the UK, it is estimated that 660,000 will be affected by the 'bedroom tax' and that around 105,000 of those will be in Scotland - around 20% of all socially rented tenants. If those affected in Scotland simply accept their benefit cut and stay in their homes, the Treasury estimate there would be an annual saving of between £50 - 80m. There are however, a number of problems with the way this cut has been designed and in order to make that saving, tenants or social landlords are going to have to make up the difference:

- Many people will simply be unable to pay their rent because of severely restricted finances and Cosla estimates that around 40% of those affected will fall into rent arrears because they are not in a position to make up the shortfall.
- Even those who are willing to move to downsize and avoid a shortfall in their housing benefit may not be able to. Many social landlords are reporting that they just do not have sufficient one or two bedroom properties for all those affected.
- Modelling has shown that for someone in part-time low income work, the shortfall could only be made up by nearly doubling their hours because of housing benefit and council tax being cut because of the increased hours worked. In short, the sums simply don't add up meaning for some people, paying the difference will be nearly impossible.
- There are a number of groups who are not exempt from the cuts but who require an extra bedroom. There is a lot of concern about the unintended consequences for these groups. In particular (but not exclusively):

- Disabled people including people living in adapted or specially designed properties.
- Separated parents who have been allocated an extra bedroom to reflect the shared care of the children. Benefit rules mean that there must be a designated 'main carer' for children (who receives the extra benefit)
- Couples who use their 'spare' bedroom when recovering from an illness or operation
- Parents whose children visit but are not part of the household
- Families with disabled children where it may not be appropriate for them to share with siblings.

What can landlords do to prepare?

Shelter Scotland and other stakeholders across Scotland and beyond are working hard to lobby the Coalition government to reverse some of the most problematic elements of these and future welfare reforms, especially concerning direct payments, universal credit and housing benefit changes impacting on temporary accommodation in Scotland. The timeframe for the introduction of the 'bedroom tax' however, means that landlords and their partners should be doing all they can to prepare for and mitigate the impacts:

1. **Identify tenants affected:** Many landlords will already have identified those tenants who will lose housing benefit through the 'bedroom tax' and have contacted them. All landlords should take steps as early as possible to talk to tenants and alert them of cuts to their benefits. This will also be an opportunity to explore their options to either move home or make up the shortfall. Landlords should look at where they could facilitate downsizing within their own stock and also explore mutual exchanges. Tenants should be provided with advice and information about shared tenancies and taking in a lodger if they require it. Current allocations should be made in line with the housing benefit size criteria which will be in place from April 2013. If allocations are made that result in under-occupation, tenants should be made aware of future implications.
2. **Planning for use of Discretionary Housing Payments (DHP):** The DWP provides local authorities with a pot of money to be used for Discretionary Housing Payments (DHP) to be allocated as they see fit. The UK government has added £30million to the 2013/14 pot explicitly for those affected by the 'bedroom tax'. By its very nature however, there are no guarantees on how this will be used (it is not ring-fenced) and it will not be sufficient to make up the shortfall in all cases. We would encourage social landlords to work closely with local authorities define how DHP will be prioritised and also where it will most usefully be allocated. There is a limit to how much each authority can be allocated through DHP but they can 'top up' this allocation by up to 150% from its own resources. Given the likelihood that councils are inevitably going to take some of the financial hit from this policy, it would be worth considering if the most financially viable option is to top up and utilise their DHP.
3. **Policy decision not to evict tenants who accrue 'bedroom tax' arrears:** Social landlords should do all they can to avoid taking forward eviction proceedings against any tenants adversely affected by the cuts. All those who can pay their rent, must do so, but Shelter Scotland believes all landlords should make the policy decision not to evict those who are forced into arrears solely due to unfair cuts in their benefit entitlement. Eviction should always be the last resort and often compounds the financial difficulties people are facing and can lead to homelessness.

Practice issues

The 'bedroom tax' - along with the other forthcoming welfare reforms - presents a major challenge for social landlords, their tenants and a range of partners across the housing and advice sector. Ultimately, the housing benefit shortfall from April 2013 presents a major problem for social landlords whose business model and maintaining rent levels relies on the collection of rent and low arrears accounts. Many landlords are anticipating their arrears will increase as a result of this change but this cannot be written off as bad debt by social landlords as this will impact on future borrowing, risk and ability to fund future building investment.

A lot of work is already being done by landlords and others to prepare for these changes and to identify where there are options, loopholes and opportunities. For tenants, the quality of advice and information available will be critical in trying to minimise the impact on individual households, although for some people there will be few options available. In addition to the 3 key recommendations above, the following practical steps will help to mitigate the impacts:

- The wide spectrum of welfare reforms are complex and often cross-cutting and we are still awaiting detail on some changes. In order for staff to advise and help tenants understand change in their benefits and the implications, housing staff will need to be informed and kept up-to-date as policies evolve. Training and building skills in this area is increasingly important for housing staff and the wider advice community.
- Along with identifying all those affected, landlords should continue to facilitate the prompt payment of rent by making as many payment options available as possible. There is a lot of good practice information around tenant engagement/sustainment and effective interventions.
- This is a very difficult time for some tenants who are facing debt or the prospect of a forced move from their home after living there for a long time. These transitions will be helped by good communication between landlord and tenant and a good, face-to-face service to support tenants.

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