

# Response to call for evidence

## Expert working group on welfare and the constitution

From the Shelter Scotland policy library

December 2013

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Shelter  
Scotland

## Summary

- Any benefits system should provide an adequate safety net which covers reasonable shortfalls in housing costs. Where a benefits system fails to do this households can be forced into slum housing and put at risk of homelessness.
- The benefits system should also be accessible, efficient and flexible. Where an individual or household experiences a sudden change in circumstances support should be provided quickly. If a transition back into work is appropriate, the benefits system should not act a barrier to this. Where long-term support is required, this should be made available.
- An essential part of an adequate safety net is the provision of up front support to people in crisis, or who find that they cannot afford their current accommodation. However, emphasis should also be placed on building more socially rented homes to keep pace with demand. This would also control the up-front cost of housing benefit by driving down rents.

## Introduction

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness – and we campaign to prevent it in the first place. We're here so no one has to fight bad housing or homelessness on their own.

Shelter Scotland welcomes the opportunity to respond to the expert working group on welfare and the constitution's call for evidence. We have focused on housing related benefits in our evidence submission, both local housing allowance (LHA) for tenants in the private rented sector, and housing benefit for tenants in the social rented sector.

## Responses to consultation questions

### Question 1

What should be the high level purpose(s) of the benefits system in an independent Scotland? What key outcomes should such a system aim to achieve?

The high level purpose of any benefits system should be to provide people with a safety net. It should be there to step in, in the event of a sudden change in circumstances, to help people avoid crisis. And to provide ongoing support to those who need it. In terms of housing related benefits, a benefits system should try to make housing affordable to people on low incomes by assessing their housing costs, income and needs and then make up any reasonable shortfalls.

### Question 2

What are the main principles that should underpin the benefits system?

The benefits systems should provide an adequate safety net, it should be efficient, accessible and flexible.

### Question 3

Which areas of policy are fundamental to the delivery of a system that meets the principles you have set out? What evidence do you have to support that view?

- **Provide an adequate safety net** – any benefits system should protect people from adverse hardship and crisis should they fall out of employment or experience other hardship. A reasonable housing subsidy will always be necessary to ensure that low income households can afford adequate housing. Without it there is the risk that low income households are forced into slum housing, into the hands of unscrupulous private landlords, and put in risk of homelessness.
- **It should be efficient** – housing benefit in its current form is means-tested, demand led and targeted at individuals. This makes for an efficient benefits system in some ways, but inefficient in others. For example, this kind of system will always create work disincentives, to a certain extent these will always need to be accepted by policy makers. Increasing disincentives – e.g. by linking the eligible rent for housing benefit to the lowest 30% of the private market – can act to lock-out some households from subsidy, who find it difficult to secure affordable housing in the private rented sector, eating away at the housing safety net.

- **It should be flexible** – it is vital that the benefits systems allows for mobility. In the case of housing benefit it should be particular to the claimant rather than the property. This enables tenants to pursue employment in other areas of the country, if necessary, or move nearer to care networks. This also promotes mixed communities, allowing low income tenants to live in areas which are lacking in supply of social housing.

In general, housing benefit has provided an adequate safety net in recent years. However, the link with actual housing costs and the subsidy received under LHA – the housing benefit received by private tenants – has been eroded gradually since 2011. In the private rented sector the subsidy received is now linked to the bottom 30% of the market; a shift away from the bottom 50% of the market. The link between the uprating of LHA and local rental markets has also been eroded – LHA rates were uprated by the Consumer Prices Index (CPI) in April 2013. In 2014/15 and 2015/16 LHA increases will be capped at 1%. Technically LHA rates can be linked to actual rents where they increase below CPI or 1%. However, this is unlikely to happen; for example in Aberdeen monthly rents increased by 11.5% between 2012 and 2013,<sup>1</sup> while CPI over this period stood at 2.1%.<sup>2</sup>

The LHA that under 35s receive has also been cut by increasing the age bracket for the shared accommodation rate from under 25, to under 35 in April 2012. Under 35s with no dependents now only receive enough LHA to cover the cost of a room in shared flat in their area. This effectively forces under 35s to find affordable shared accommodation, or make up any shortfall between their rent and LHA themselves. This represents a further erosion of the link between actual housing costs and subsidy received, and hinders mobility for this group.

The same can be said of the under occupancy deduction. Introduced in April 2013 for social tenants claiming housing benefit who are deemed to be under-occupying their accommodation, this forces affected tenants to make up either 14% or 25% of their eligible rent for housing benefit through other income. The alternative being they are forced to move, or build up arrears facing eviction and eventual homelessness. This policy is also retrospective and penalises tenants for being allocated a home which has later been deemed ‘too large’ for their needs. This is obviously unjust and such policies should not form part of a fair and responsive benefits system.<sup>3</sup>

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<sup>1</sup> Citylets, Quarterly Report, Autumn 2013, <http://www.citylets.co.uk/research/reports/>

<sup>2</sup> Office for National Statistics, November 2013

<sup>3</sup> Shelter Scotland, ‘Banish the Bedroom Tax Monster’ – Action plan for Scotland, September 2013, [http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/banish\\_the\\_bedroom\\_tax\\_monster\\_-\\_action\\_plan\\_for\\_scotland](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/banish_the_bedroom_tax_monster_-_action_plan_for_scotland)

Shelter Scotland strongly believes that the link between actual housing costs and subsidy should be reinstated. This should be a key principle at the heart of the benefits system. Tenants' housing costs would be adequately reflected in the subsidy they receive, ensuring mobility and a move back into work is as easy as possible.

**Question 4**

Which areas of welfare should be delivered as services and which through cash transfers, and why?

Housing benefit, both that paid to private sector tenants and social rented sector tenants, is paid as a cash transfer either directly to the tenant, or to the landlord. Shelter Scotland is supportive of providing up front support in this way – this is an essential part of our benefits system and helps to prevent people's situations from spiralling into crisis. However, the housing benefit bill has increased in recent years which has, in part, been linked to rent increases since housing benefit's introduction. This is due to a lack of supply of housing amongst other factors.<sup>4</sup> By placing an emphasis on supply the government would take the pressure out of the housing market. This would reduce the rate of rental increases and in turn control housing benefit increases.<sup>5</sup> Currently, Audit Scotland estimates that Scotland needs to build around 10,000 new council and registered social landlord homes per year to keep up with demand.<sup>6</sup> The Scottish Government's current target is 30,000 affordable homes over the lifetime of the parliament, of which 20,000 should be socially rented homes. While this goes some way to meet current demand, it is not enough. To achieve ensure both a decrease in current housing waiting lists and reduce the cost of housing benefit to the taxpayer in the long-run priority should be placed on the building of affordable homes to rent.

**Question 5**

Of these services and/or transfers which should be means-tested support and which should be universal provision?

Shelter Scotland accepts that some form of means testing is appropriate when administering subsidy for housing costs. For subsidies to be efficient they must be withdrawn at some point, and this can, in some situations, create work disincentives and

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<sup>4</sup> Shelter, Bricks or Benefits: rebalancing housing expenditure, May 2012

<sup>5</sup> *Ibid*

<sup>6</sup> Audit Scotland, Housing in Scotland, 2013

create a high administrative burden. However the alternative would be a universal subsidy which would be cheap to administer but highly inefficient and very costly.<sup>7</sup>

**Question 6**

How important is it that benefits relate directly to the contributions paid by an individual, and if important, which benefits and why?

In terms of support for housing costs, Shelter Scotland believes that it is important that it is demand led and linked to the claimant's actual housing costs. This promotes mixed communities and provides an effective platform for tenants on housing benefit to enter work.

**Question 7**

When considering the cost of welfare in the future, what are the most important considerations which Governments in an independent Scotland should take into account, and why?

Shelter Scotland strongly believes that any housing cost related benefit should be demand-led and linked to the actual cost of housing. To ensure that the system remains effective and does not create a barrier to entering employment it is inevitable that such a system will contain some form of means-testing. This would also ensure that the cost of the benefit is not too high.

**Question 8**

How should benefits be delivered in this system? (e.g. Through a new or existing national public body? Through existing public or third sector organisations? Localised delivery based on national guidelines) What would this entail? Are there barriers to such a structure?

Delivery should ensure that the benefits system provides an adequate housing safety net which is efficient and allows for mobility for claimants. This could be delivered nationally or at a local level. It is vital that in any delivery system the support can be accessed quickly. Ensuring that those with short-term housing cost needs are supported, easing a potential return to employment. This would avoid the stress of rent arrears and a potential spiral into a crisis situation.

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<sup>7</sup> Shelter, Bricks or Benefits: rebalancing housing expenditure, May 2012

### Question 9

What are the advantages and challenges of the delivery system you propose? What should its relationship be with e.g. 'job centres', work preparation programmes, and members of society who are unable to work but wish to play a full role in society? Wherever possible, please provide references to any published or other sources of evidence that have informed your response.

We have broadly outlined what we believe the priorities of any benefits system should be. As such we have not specifically outlined what the actual delivery system should look like. However, priority should be placed on ensuring that reasonable shortfalls in rent are covered. The system of administration should be efficient and accessible, and an element of flexibility should be reflected throughout the whole benefits system.

## Conclusion

Shelter Scotland believes that at the heart of any benefits system should be a housing safety net which makes up any reasonable shortfall those on low incomes are unable to afford. The system should be efficient and provide support as soon as possible to ensure individuals are not plunged in crisis. An element of flexibility is also vital to ensure mobility, particularly in relation to the jobs market, and so that claimants are not unfairly penalised in any way. We also believe that emphasis should be placed on building more socially rented home. Both to provide the many thousands of people on Scotland's housing waiting lists with a home, and control the up-front cost of the housing benefit bill.

### Contact:

James Battye, Policy Officer, Shelter Scotland

Email: [james\\_battye@shelter.org.uk](mailto:james_battye@shelter.org.uk)

Tel: 0344 515 2463