

Shelter Scotland

Submission to the Smith Commission

October 2014

www.shelterscotland.org

Shelter
Scotland

Summary

The following is a summary of the key recommendations and considerations for the Smith Commission set out in this submission:

Key Recommendations

- Shelter Scotland believes that the test of any recommendations for reform should be the extent to which further devolved powers could be used to tackle and address poverty and inequality generally and poor housing and homelessness specifically
- Further powers on social security spending should be devolved in a comprehensive and holistic way (with the exception of issues relating to pensions) with the ultimate aim of meeting the ambition noted above
- The devolution of powers relating to social welfare needs matching fiscal and economic powers to maximize their impact in delivering on the above aim
- There is a significant risk that if powers are devolved tokenistically for political reasons, and not in a considered way with the ultimate aim of delivering a more comprehensive system of services and support to better meet the specific needs and circumstances of people in Scotland that this could result in a poorer system overall

Key Considerations

- The Commission should consider how its proposals would allow a more coordinated approach to linking delivery of social security to existing areas of devolved competence such as housing policy, health and social care, and employment and the value in considering the devolution of all aspects of welfare policy in relation to achieving this
- Control over Housing Benefit within a fully devolved social security system, offers the potential for a shift in the balance in spending towards new social housing supply
- At a pragmatic level, there would be significant risk in devolving an area of policy which is cyclical and subject to shifting demands, while retaining a fixed funding base
- In considering a new, better-balanced approach to housing finance, the transition period is a crucial consideration

Introduction

Shelter Scotland is Scotland's leading housing and homelessness charity. We work every day to tackle and alleviate the problems associated with bad housing and homelessness and campaign to prevent them in the first place. As such, we have a primary concern with regards to the wider challenges of poverty and inequality which lie behind many of the individual challenges faced by those individuals that come to us for help.

The recent referendum on Scottish independence provided a national platform for people in Scotland to debate and consider the kind of Scotland they wanted to live in. The result of this vote was definitive, but was still reasonably close. The primary reason that the issue of further devolution is now being looked at in such detail is that across Scotland there is now an established majority of support for a stronger Scottish Parliament within the UK.

There is now significant and continuing public appetite for reform of some of the fundamentals of public policy making and where powers to progress those reforms should best be located. It is arguable that one of the core reasons for this is the demand from the public for more localised government and local authority services that better meet the needs of people in specific areas that face specific challenges.

It is in this context and understanding that Shelter Scotland has set out our ideas, recommendations and thoughts on the devolution of further powers to Scotland with a focus on the powers that relate to housing and particularly the provision of social security or welfare and taxation powers which relate to the delivery of housing policy and strategy in Scotland.

Shelter Scotland has commissioned a detailed study into the options for reform of Housing Benefit which will be published towards the end of November 2014, which will inform our detailed position on this specific area of policy and spending in the future.

Further Devolution

Further powers on social security spending should be devolved in a holistic way.

As part of the UK-wide charity Shelter - which operates across both England and Scotland - we have longstanding and in-depth experience of both devolved and reserved areas of policy and how they interact with each other and with wider socio-economic issues. We recognise that the wider balance of powers and responsibilities between the UK Government, the Scottish Government and local authorities has great significance for the people that come to us for help. For example: policy on employment and minimum wage affects our clients directly; consumer protection and contract law affects home-owners facing mortgage difficulties; and immigration and asylum policy lies behind some of the most stark failures in the housing safety net over the last two decades.

Given this, our starting point – that of tackling housing problems and wider inequalities – leads to the logical conclusion of the need to consider a more holistic settlement for social welfare in Scotland.

Some aspects of welfare already have a locus in Scotland – for example, the council tax reduction fund, Scottish Welfare Fund and the administration of (but not funding of and policy towards) Housing Benefit. In addition, the Scottish Government has also indicated the priority it places on issues relating to welfare with creation of the post of Minister for Housing and Welfare within the current government.

Housing Benefit, however, is a specific case in point. At over £1.7 billion a year in Scotland, it is, by a long way, the largest component of public housing expenditure in Scotland yet lies out with the control of Scottish policy-makers. This is despite its direct relationship with policy on social housing affordability and ambitious plans to reform private renting. Not surprisingly, then, Housing Benefit has been singled out as the most obvious housing policy area for further devolution.

While Shelter Scotland believes that the principle of devolving Housing Benefit is the right direction of travel – and as noted above, we have commissioned further analysis of what the implications might be - we recognise that piecemeal transfer of certain benefits, and particularly Housing Benefit, will result in tensions for a coherent and strategic approach to reducing poverty, especially with the eventual introduction of Universal Credit.

There are considerable risks associated with some of the specific limited suggestions that have been put forward so far, such as devolution of Housing Benefit, in isolation from a) the social welfare system as a whole and b) the wider range of fiscal and economic powers to which they are linked. As such, it is hard to support the idea that the devolution any social security powers should stop at Housing Benefit and we urge the Commission to consider carefully the implications of proposals for social welfare devolution in isolation and the evidence base for this approach.

Recommendation: Many aspects of our welfare system and policies are closely interrelated. As such it is Shelter Scotland's recommendation that the Smith Commission should consider how its proposals would allow a more coordinated approach to linking delivery of social security to existing areas of devolved competence such as housing policy, health and social care and employment and the value in considering the devolution of all aspects of welfare policy in relation to achieving this.

Welfare and the Economy

The devolution of powers relating to social welfare requires matching fiscal and economic powers

Just as the proposed devolution of Housing Benefit needs to be looked at in the context of the wider social welfare system as a whole, so social welfare needs to be seen in the context of other powers which impact on it.

This is in part due to the principle that the answer to social welfare challenges may not always lie solely in social welfare policy, but in the wider powers which determine the kind of economy and society we live and operate in. For example: the level at which minimum wage is set directly influences demand for and expenditure on in-work benefits. In addition, Housing Benefit spend is driven far less by the design of the policy itself than by policy towards social housing rents, the tax treatment of an enlarged private rented sector and the demographic mix of tenants.

At a pragmatic level, there would be significant risk in devolving an area of policy which is cyclical and subject to shifting demands, while retaining a fixed funding base and no ability to vary taxation levels and incentives to support this policy area.

Any new devolution settlement needs to be anchored in the context of these wider significant reforms that would be required as there is an inherent risk in any approach to the expansion of the devolution settlement which neglects this larger context.

The referendum campaigns demonstrated that it is possible to strike a more positive and engaging public debate on welfare than we have seen in the UK for generations, which is welcome. In order to deliver on public expectation in this area, we must ensure that the Scottish Parliament has the tools to do the job.

Recommendation: Devolving Housing Benefit and social welfare spend more generally, demands full consideration of the tax powers of the Scottish Parliament as well as its ability to borrow through an economic cycle and the economic levers which drive the need for social welfare payments.

Housing Benefit

Control over Housing Benefit within a devolved social security system offers the potential for a shift in the balance in spending towards new social housing supply.

Housing Benefit accounts for over £1.7bn worth of annual spend in the Scottish economy, significantly more than any other aspect of public housing expenditure in Scotland. The extent to which so many of the housing finance eggs are in the housing allowance basket, is a very significant shift in the balance of spending to that which prevailed up until the late 1980s when housing production was very much higher.

Shelter Scotland estimates that Scotland needs at least 10,000 new socially rented homes per year to clear the backlog of need and meet rising demand. This is a policy which resonates well with continued high levels of public support for the state's role in provision of decent housing for those who cannot afford it.

In this context, the ultimate aim and ambition of devolving Housing Benefit is about how it can open up a fundamental review of housing finance and investment with a view to incentivising higher productivity in new affordable housing supply. In considering a new, better-balanced, approach to housing finance, the transition period is a crucial consideration.

Fuel Poverty

A renewed onslaught on fuel poverty should become a litmus test of new powers

In the sections above, we set out that Shelter Scotland's test of the further powers brief of the Commission should be the extent to which it addressed housing issues, poverty and inequality. A good example of this lies in fuel poverty, political commitments on which have spanned the life of the Scottish Parliament to date. It is reluctantly acknowledged that the commitment to end fuel poverty by 2016 will not now be met. Only one of the three fuel poverty pillars lies in devolved competence at present – that of housing quality and energy efficiency, and even that not fully. The other two pillars – fuel prices and incomes – lie largely out of the reach of Scottish Government influence. This is an example of how the further devolution of powers to the Scottish parliament should be considered holistically by their ability to tackle major challenges on key housing, poverty and inequality issues.

It is hard to see that fuel poverty should be any less of a concern over the next decade than the past and, so, given the scale of unfinished business, can tackling fuel poverty in a more complete way act as a test of the ambitions of further devolution?

Conclusion

The referendum was a historic opportunity for discussion and debate that inspired and encouraged people to consider the sort of country they wanted to live in. It was a unique opportunity to think big and one of the most significant public discussions was around social justice and the future of welfare provision for the most disadvantaged people in Scotland. Shelter Scotland would encourage the Smith Commission to seize this opportunity and the momentum created by the referendum to be bold in making its recommendations.

Contact

We trust that these observations and recommendations set out above are useful and Shelter Scotland would welcome an opportunity to elaborate on them as the work of the Commission continues.

If you wish to follow up on any aspect of this document, please contact:

- Adam Lang
Head of Communications and Policy
Shelter Scotland
Adam_Lang@shelter.org.uk
0344 515 2464