

## **Shelter Scotland's response to the Devolution (Further Powers) Committee's call for written evidence on the Scotland Bill**

August 2015

### **Introduction**

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

Shelter Scotland welcomes the Devolution (Further Powers) Committee's call for written evidence on the Scotland Bill. We have focused our comments on the aspects of the Bill which relate to social security – specifically powers over social security which relate to housing – as these have the potential to have the biggest impact upon people in Scotland who are homeless or badly housed. For Shelter Scotland the key test of the devolution process is how any additional powers are used to address poverty and inequality generally, and poor housing and homelessness specifically.

Although the Scotland Bill has not yet been passed, the powers likely to be transferred to the Scottish Government will create the opportunity to make a series of very important changes to the way those who need help with housing costs receive that help in the near future.

### **How could the Scottish Government use the powers as currently set out in the Scotland Bill?**

From abolishing the 'bedroom tax' to bringing the housing benefit paid to private tenants back in line with actual rents,<sup>1</sup> these powers will give the Scottish Government the opportunity to improve the housing situation of thousands of people across Scotland. There are two considerations that we would like the Scottish Government to prioritise in deciding how to use these powers:

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<sup>1</sup> See appendix 1 for a full list of reforms to housing benefit since 2012

- We know from our clients' experience of the social security system that administrative errors can have a devastating impact on individuals and families. It is vital that in using these powers, the Scottish Government avoids creating an unwieldy and overly complicated system of social security beset with administrative delays and mistakes. In any action pursued by the Scottish Government the ease of administering the social security system in Scotland should be made a priority. The Scottish Government should work closely with stakeholders and partners to ensure that simplification of administrative arrangements can be made to work in practice.
- In determining how best to use the new powers to create a fairer system of support for housing costs, the Scottish Government should work closely with landlords and the third sector to evaluate the options and consider issues of implementation. A clear set of principles should be established that would govern the use of the powers and make it possible to evaluate the success of any variation in the UK system of support.

With these considerations in mind, Shelter Scotland makes the following recommendations for how the powers should be used:

**Recommendation 1: abolish the 'bedroom tax'**

The Scottish Government should prioritise the permanent abolition of the 'bedroom tax' – or under occupancy deduction – in Scotland. Currently Scottish Government mitigates this UK Government policy by providing local authorities with sufficient funding to top-up discretionary housing payment pots to make up the difference between what tenants affected by the 'bedroom tax' receive in housing benefit and their rent, at a cost to the Scottish Government of around £35m per year.<sup>2</sup> This is administratively complicated as claimants themselves must make a claim and this cannot be done on their behalf by a local authority or their landlord. The situation currently is that a UK-wide benefit is reduced by Scottish local authorities in their capacity as housing benefit administrators only for this to be topped-up again by local authorities, using Scottish Government money, through their discretionary housing payment pot. This has the potential to be made much, much simpler using the powers outlined in the Scotland Bill.

**Recommendation 2: allow Universal Credit to be paid to individuals in a household**

Payments of Universal Credit are to be made to a household rather than to individuals in a household under current Universal Credit regulations. Concerns have been raised that

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<sup>2</sup> Scottish Government budget, 2015-16

this rigidity could expose vulnerable members of a household to greater financial abuse by reducing financial autonomy within relationships. This is particularly the case for individuals who are in abusive relationships. Consequently the Scottish Government should enable Universal Credit payments to be made to individuals where appropriate.

**Recommendation 3: allow for direct payments of the housing costs element of Universal Credit to be made to landlords**

Another aspect of current Universal Credit payment arrangements is the payment of the full amount of Universal Credit – including housing costs – direct to the claimant in most circumstances. In most cases social landlords in Scotland receive housing benefit directly. Private tenants too can arrange for local housing allowance payments to be made directly to their landlord if they have been in arrears for eight weeks. Concerns have been raised about the suitability of the arrangement to pay housing costs via Universal Credit directly to tenants as part of the monthly lump sum, rather than landlords, particularly where tenants may have a vulnerability or have basic money management skills. Shelter Scotland recommends that the Scottish Government works closely with landlords and tenants representatives to evaluate the current payment arrangements and modify them to ensure that vulnerable tenants are not disadvantaged.

**Recommendation 4: review the affordability of the private rented sector**

The cuts to housing benefit since 2012 have gradually chipped away at the support given to private renters if they require assistance with paying their housing costs. This is set to continue with a four year freeze on local housing allowance as outlined in the UK Chancellor’s Summer Budget. The Scottish Government should carry out detailed modelling of how this will affect Scottish private renters and consider whether it is in a position to roll back the changes to local housing allowance introduced from 2012 or increase discretionary housing payments pots. This would increase the percentage of the private rented sector that is affordable to people claiming local housing allowance.

**What are the limits to the powers as currently set out in the Scotland Bill?**

**Universal Credit can be varied – not housing benefit in its current form**

The Bill currently only references the housing costs element of Universal Credit and is therefore dependent on the successful roll-out of this benefit to give the Scottish Parliament the power to vary help with housing costs in Scotland. The Scottish Government should factor in the risk that the roll-out of Universal Credit is subject to

further delay, and be aware of the associated administrative complexities that may accompany this.

### **Shifting housing subsidies from housing benefit to housing supply**

As intended from the Smith Commission's recommendations the current Scotland Bill does not offer the wholesale devolution of housing benefit. The Scotland Bill in its current form only allows for administrative changes to how housing costs payments are made and provides the ability for the level of housing costs payments to be varied. With the overall budgetary responsibility for housing costs payments remaining with the UK government. Most other policy areas related to housing are devolved to the Scottish Parliament, including house building. One of the key advantages of having power over both housing benefit and house building is that the Scottish Government could, over time, rebalance housing subsidies from housing benefit to the supply of affordable housing. The Scottish Government would also feel the benefit of this policy decision: over time a reduced reliance on the more expensive private sector would see the housing benefit bill fall.<sup>3</sup> At the same time more people would have access to a decent, safe and affordable home. In terms of the devolution of social security this should be one of the key long-term ambitions of the Scottish Government.

## **Contact**

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<sup>3</sup> Mark Stephens & Janice Blenkinsopp, Heriot-Watt University, and Kenneth Gibb, University of Glasgow, 'The Devolution of Housing Benefit and Social Security: Rebalancing Housing Subsidies in Scotland', March 2015  
[http://scotland.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/the\\_devolution\\_of\\_housing\\_benefit\\_and\\_social\\_security\\_rebalancing\\_housing\\_subsidies\\_in\\_scotland](http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/the_devolution_of_housing_benefit_and_social_security_rebalancing_housing_subsidies_in_scotland)

## Appendix 1: Changes to housing benefit since 2012

The UK government programme of welfare reform began in 2012 with a raft of changes which affected both the social rented and private rented sectors. The reforms listed below all relate to how housing benefit or local housing allowance are calculated, apart from the benefit cap as power over the benefit cap is not proposed to be devolved as part of the Scotland Bill. It is assumed that each of the changes will be carried into the calculation for the housing costs element of Universal Credit.

- **Local housing allowance<sup>4</sup> rates are frozen.** This means that the housing benefit paid to private tenants is falling further out of line with market rents.
- **The shared accommodation rate under local housing allowance has been increased from under 25 to under 35.** This means that most under 35s will only be eligible for housing benefit designed to cover the rent of a room in a shared property in their local area.
- **The under-occupancy deduction or ‘bedroom tax’ reduces social tenants’ housing benefit if they are deemed to be under occupying their home.** The Scottish Government have mitigated this policy via discretionary housing payments at a cost of around £35m per year.
- **Non-dependent deductions have been increased.** These are deductions made from housing benefit if you are living with a non-dependent who is expected to make a contribution towards the rent for that property. Under Universal Credit these deductions will be a flat rate, regardless of a claimant’s income. This was set at £68.68 a month for 2014-15.
- **Maximum number of bedrooms that be claimed for under local housing allowance reduced from five to four.** If you have five or more bedrooms in your home the maximum you can claim is the four bedroom rate.
- **The weekly £15 ‘excess’ has been removed for local housing allowance claims.** This allowance housing benefit claimants to ‘keep’ £15 of their housing benefit claim if they found a property that was cheaper than the local housing allowance rate for the particular type of dwelling they were occupying.

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<sup>4</sup> The housing benefit paid to tenants in the private rented sector