

Shelter Scotland submission to the Scottish Affairs Committee

The impact of the bedroom tax and other changes to housing benefit in Scotland

Summary

- The changes to housing benefit introduced by the Department of Work and Pensions (DWP) since 2011 will have a significant impact on many households in Scotland. The under occupancy reforms specifically, will put many tenants into rent arrears, risking eviction and even homelessness, with around 3,000 tenants potentially facing a reduction in their housing benefit entitlement of £20 per week¹.
- Shelter Scotland welcomes the opportunity to submit evidence to the Scottish Affairs Committee on the impact of these reforms. Our response primarily focuses on the impact of these changes on those claiming housing benefit, but also takes into account the financial consequences for local authorities as housing providers and other social landlords.
- The biggest danger of these reforms, particularly the changes which relate to under-occupancy in the social rented sector, is that tenants build up rent arrears and through no fault of their own, face eviction and potential homelessness. This is clearly grossly unfair and will have a devastating impact on many households across Scotland.
- The under occupancy policy is ill thought out in that there simply are not enough one and two bedroom houses required for 'under-occupiers' to move into. For example, 60% of those affected by this policy require a one bedroom house to avoid a benefit reduction, however, one bedroom houses make up only 26% of overall housing stock in the social rented sector². Moreover, a move into the private rented sector for a housing benefit claimant in Scotland would actually involve an increase in cost to the taxpayer, even after taking into account down-sizing³.
- In a Scotland-specific context, the inclusion of council-owned temporary accommodation in the under occupancy rules will have a disproportionate impact on a very vulnerable client group, with some shortfalls being as high as £100 per week. This change impacts

¹ Para. 5, Scottish Government, 'Impact of Planned Housing Benefit Changes in Scotland: Reducing the Housing Benefit of Households of Working Age in Social Housing Under-Occupying a Property', February 2013 <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/BenefitChangesUnderOccupancy>

² Para.14, Scottish Government, 'Impact of Planned Housing Benefit Changes in Scotland: Reducing the Housing Benefit of Households of Working Age in Social Housing Under-Occupying a Property', February 2013 <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/BenefitChangesUnderOccupancy>

³ Shelter Scotland campaign: 'The Bedroom Tax is ill-thought out and we oppose it' http://scotland.shelter.org.uk/get_involved/campaigning/bedroom_tax

most significantly in Scotland because around 50%⁴ of temporary accommodation is council owned (this figure is much lower outside Scotland).

- As Shelter Scotland called for, a coordinated approach across all social housing providers led by the Scottish Government is required to effectively mitigate the effects of these reforms. For example, a common approach to arrears which is clearly communicated to tenants with the Scottish Government providing housing providers with a financial safety net to ensure no social landlord is made bankrupt by these reforms.
- Discretionary housing payments (DHPs) should be used wisely and the DHP budget added to by local authorities where possible. However, the scale of the cuts means that DHPs cannot fully mitigate the impact of housing benefit reform.
- The combined impact of reductions to the housing benefit paid to private rented sector (PRS) tenants has made parts of the sector more unaffordable. This in turn has increased the likelihood of arrears, eviction and potential homelessness amongst private tenants.

The impact of housing benefit reforms in Scotland

1. In Scotland it is estimated that 105,000 will be affected by the under occupancy changes – equating to roughly 39%⁵ of all social tenants. The Convention of Scottish Local Authorities (COSLA) estimates that 40% of these will fall into rent arrears because they will not have enough money to pay for the cut to their housing benefit.
2. The application of the under occupancy reduction to council-owned temporary accommodation will have a disproportionate effect on homeless households in Scotland. Under the Housing (Scotland) Act 2001, local authorities have a statutory duty to provide temporary accommodation to households who are statutorily homeless. Around 50%⁶ of temporary accommodation in Scotland is council-owned and it is mostly made up of two or three bedroom family-size housing, meaning the availability of one bedroom temporary accommodation is severely limited. Those under-occupying their temporary accommodation will have their housing benefit reduced significantly, with some

⁴ Scottish Government, Operation of the Homeless Persons Legislation in Scotland: Quarterly Update (October-December 2012) - Excel Tables Supporting this publication
<http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/RefTables/publicationtablesOctDec2012>

⁵ Para. 4 Scottish Government, 'Impact of Planned Housing Benefit Changes in Scotland: Reducing the Housing Benefit of Households of Working Age in Social Housing Under-Occupying a Property', February 2013 <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/BenefitChangesUnderOccupancy>

⁶ Scottish Government, Operation of the Homeless Persons Legislation in Scotland: Quarterly Update (October-December 2012) - Excel Tables Supporting this publication
<http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/RefTables/publicationtablesOctDec2012>

reductions totalling up to £100 per week. Those living in temporary accommodation provided by the private sector or leased from a registered social landlord will not be affected by the under-occupancy reduction as their rent is covered by different subsidy arrangements. Given the client group affected by this change, such a shortfall will more than likely exceed the total remaining household income for those living in council-owned temporary accommodation. This will have a significant impact on local authority budgets, with one local authority predicting an annual loss of £3.5 million.

3. The benefit cap could reduce welfare payments in Scotland by around £14 million per year spread between 4,600 claimants⁷. Those in temporary accommodation are likely to be one of the groups most affected by the benefit cap, given the high rental charges for this type of accommodation. For a single person to be affected by the cap, rental payments would need to be around £200 per week⁸; this is often the case in council-owned temporary accommodation. It is unrealistic to expect this particular client group to make up any shortfall in their rental payments. Around 60% affected by the cap live in the social rented sector. Those with large families have also been identified as being affected by the cap on benefits. As the cap is applied, at first, by a reduction to the claimants' housing benefit (later through universal credit) there will be a shortfall in rental payments to make up, should a household be affected by the cap. If the claimant cannot make up any shortfall they will fall into arrears, risking eviction and potential homelessness. Given that many affected by the cap will already be in temporary accommodation as a result of having been made homeless, this would only serve to compound already existing issues for very vulnerable claimants.

Whether the housing benefit policy is coherent and enables access to homes in Scotland

4. Tenants who are willing to downsize to avoid having their housing benefit cut may not be able to do so as there simply is not the one or two bedroom housing stock available for them to move into. Moreover, if affected tenants are able to find a suitably sized property in the private rented sector, and then claim local housing allowance (LHA), this would result in a higher overall cost to the taxpayer, given that rents are higher in the private rented sector than the social sector in Scotland, even after taking into account downsizing.
5. Modelling has also shown that for someone in part-time low income work affected by under occupancy, simply increasing hours to make up the difference between their housing benefit and their rent is not realistic. By increasing their hours at work they would

⁷ Scottish Government, 'The Benefit Cap - Assessment of impact in Scotland', February 2013, <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/Thebenefitcap>

⁸ Scottish Government, 'The Benefit Cap - Assessment of impact in Scotland', February 2013, <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/Thebenefitcap>

in turn reduce their eligibility for housing benefit, meaning that they would need to nearly double their hours at work to make up the cut⁹.

What powers the Scottish Government, Councils, social landlords and others have to mitigate the impact of the reforms, and whether these are being used effectively

6. Shelter Scotland drew up a petition calling for the Housing and Welfare Minister in the Scottish Government to coordinate a Scotland-wide response to the under-occupancy changes by arranging an emergency summit of social landlords. We suggested a three point action plan for the Scottish Government to take forward, which included: a guarantee that no-one is evicted for under occupancy arrears, confirmation that no-one will be made intentionally homeless as a result of an eviction stemming from under occupancy arrears, and that £50 million be set aside to mitigate for the financial impact of the reforms¹⁰. Our petition has gathered 1,142 signatures. It is unfortunate that our recommendations have not been taken forward by the Scottish Government (discussed in detail below).

7. In terms of under occupancy evictions social landlords have the power not to evict tenants who are forced into arrears purely because of cuts to their benefit entitlement. Shelter Scotland believes that eviction should always be an option of last resort. It often compounds the financial difficulty people are in and can lead to homelessness, hence our call on the Scottish Government to guarantee that no under occupancy evictions take place. Some local authorities have made pledges along these lines, however, the picture is not the same across the whole of Scotland and these commitments contain carefully worded caveats¹¹. Moreover, current commitments by social landlords do not extend to every social tenant in Scotland. The result is a mixed picture for tenants affected by the under occupancy rules, both across Scotland in general and within local authority areas. For example, local authority tenants in an area may feel secure in the knowledge that they won't be evicted if they do all they can to make up any shortfall between their rent and housing benefit, while housing association tenants in the same area may not have this security. While Shelter Scotland welcomes any commitment to not use eviction in the case of under occupancy arrears, a clear and consistent policy across all social landlords in Scotland, actively coordinated by the Scottish Government, would best benefit those affected – as we set out in our petition.

⁹ Hilary Burkitt, Head of Strategic Research, Affinity Sutton, 'Escaping the bedroom tax' http://www.affinitysutton.com/news_and_resources/public_affairs/policy_positions/our_opinions/bedroom_tax.aspx

¹⁰ Shelter Scotland campaign: 'The Bedroom Tax is ill-thought out and we oppose it' http://scotland.shelter.org.uk/get_involved/campaigning/bedroom_tax

¹¹ See Highland Council's commitment: 'Council amend rent arrears policy to assist tenants affected by Bedroom Tax', 11 April 2013, <http://www.highland.gov.uk/yourcouncil/news/newsreleases/2013/April/2013-04-11-02.htm> and Dundee City Council's commitment: Scottish Government, 'Advice for landlords on 'Bedroom Tax'', 18 April 2013, <http://www.scotland.gov.uk/News/Releases/2013/03/advice-for-landlords-on-bedroom-tax18032013>

8. It would also be grossly unfair if tenants with under-occupancy arrears, who are evicted and made homeless, be deemed intentionally homeless by their local authority, consequently denying them the right to a permanent home. To mitigate the impact on homeless applicants, it would be beneficial to confirm across all Scottish local authorities that no-one will be deemed 'intentionally' homeless due to under occupancy arrears. We suggested that this be led by the Scottish Government. Again, we regret that our suggested course of action has not been pursued.

9. To mitigate for the financial risk to social landlords due to welfare reform, the Scottish Government could set aside funds to protect landlords from bankruptcy resulting from arrears built up by the under-occupancy policy. In our petition we called for £50 million to be set aside by the Scottish Government for this purpose.

10. Planned use of discretionary housing payments (DHPs) is a key factor to mitigate for the effect of under occupancy reductions, and other housing benefit reforms. The UK government added £30 million to the pot of money available for tenants affected by under occupancy. However, DHPs are limited in that they cannot cover the shortfall for all tenants affected by housing benefit reductions. And even if they do, it is likely that they will only cover shortfalls for a limited period of time. Local authorities can add to their DHP allocation by up to 150%. As the financial impact of the under occupancy changes on local authorities is likely to be significant, both in respect of their own tenants and other pressures on their homeless services from tenants of other landlords, it is worth considering whether they are in a position to add to their DHP allocation from their own resources.

Whether benefit reform is in danger of driving private landlords out of the low income rental market, thereby increasing shortages of rented accommodation

11. The combined impact of the various changes to local housing allowance (LHA) since 2011 has made private rented housing more unaffordable for tenants claiming housing benefit. Taking the example of the changes to the way LHA rates are set; previously they were based on the 50th percentile of rents in an area, this was reduced to the 30th percentile in 2011, rates were frozen in 2012 and uprated by the Consumer Price Index in April 2013 and will be uprated by only 1% in April 2014. Put simply, before the reforms were implemented around one in two properties in any area should have been affordable to a tenant claiming LHA. Now, this figure is around one in three properties at most. Furthermore, as the link between local rents and the LHA paid has effectively been broken, the protection for tenants from a potential spike in rents has been significantly weakened (there is an exemption from the 1% uprating for the most unaffordable areas, however, it is unclear how this will work in practice). Essentially, tenants claiming LHA in the private rented sector, whose rent is in the top two thirds of rent in their area are likely to fall into rent arrears.

Further reading

Shelter Scotland briefing on the 'bedroom tax', March 2013

http://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/shelter_scotland_briefing_on_the_bedroom_tax

Shelter Scotland evidence on the Legislative Consent Motion for the Welfare Reform Bill

http://scotland.shelter.org.uk/data/assets/pdf_file/0020/390026/Shelter_Scotland_briefing_for_ICIC_consideration_of_the_LCM_on_WRB_FINAL.pdf

Hilary Burkitt, Head of Strategic Research, Affinity Sutton, 'Escaping the bedroom tax'

http://www.affinitysutton.com/news_and_resources/public_affairs/policy_positions/our_opinion_s/bedroom_tax.aspx

Scottish Government, Impact of Planned Housing Benefit Changes in Scotland: Reducing the Housing Benefit of Households of Working Age in Social Housing Under-Occupying a Property, February 2013

<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges/BenefitChangesUnderOccupancy>

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<http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/RefTables/publicationtablesOctDec2012>

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May 2013