

CPAG in Scotland's response to Scottish Government's consultation on Housing to 2040 – February 2020

Q1 Earlier this year we published our draft vision and principles. A short and longer version are available here: <https://www.gov.scot/publications/housing-to-2040/>. Do you have any comments on the draft vision and principles? Please be specific and identify what you would change and why.

The vision includes a well-functioning housing system where: people can afford a home that meets their needs and renting is affordable, allowing people to make regular savings to buy a home if they want.

In the challenges to achieving this vision, the Scottish Government recognises the UK Government have reduced the support it provides through welfare reform but also states Scottish Government mitigation is not sustainable in the long term. The Scottish Government reiterate their commitment to tackling child poverty and state the housing system can help to do this by increasing affordability and lowering running costs. We strongly agree that housing policy must play a key role within wider strategy to achieve the statutory 2030 child poverty targets. Ending and preventing child poverty must be central to the vision and principles for housing policy. A divergent approach to social housing since devolution has helped to ensure housing costs, and the subsequent risk of poverty (as measured after housing costs), are lower relative to the rest of the UK, supporting faster progress on child poverty in Scotland in the period to 2011/12¹. However with increasing numbers living in the private rented sector, increasing risk of poverty in the social rented sector and social rents rising faster than in the rest of the UK there is no room for complacency.

CPAG believes more detail is needed as to how these challenges might be addressed.

Our Early Warning System evidence details the impacts of reduced financial support through welfare reform and rising child poverty. It also highlights that in order for the vision to be achieved, for any changes to housing policy to be successful, they must be made with full regard to the interaction with social security policy.

What is the Early Warning System telling us?

Evidence from CPAG's Early Warning System highlights the difficulties that many people are having paying for housing. Issues include

- financial support to pay for housing through social security based on arbitrary figures rather than actual costs (as a result of benefit cap, local housing allowance, two child limit, bedroom tax)
- social security administration contributing to rent arrears (universal credit in particular)

¹ <https://www.jrf.org.uk/report/poverty-scotland-2019>

'Bedroom tax'

What is it? A reduction in the maximum amount of benefit that can be paid in relation social rent housing if you are deemed to have one or more surplus bedrooms.

Who does it affect?

When first introduced it only affected people of working age, however since mixed age couples (one partner is of pension age, the other is not) now have to claim universal credit this may increase the number of people affected by the bedroom tax.

The Scottish Government have the power and are committed to mitigating the bedroom tax at source in universal credit by stipulating that the reduction for surplus bedrooms will be calculated at 0%. However no date for implementing the change to universal credit has been agreed with the UK Government yet.

In the meantime, Scottish Government are mitigating 'in full' through discretionary housing payments at a cost of £52.3m in 2019/20, otherwise it would affect over 70,000 households.²

Client lives in a 4 bedroom house with her partner. She is receipt of personal independence payment and her partner is receiving carer's allowance. The 'bedroom tax' should have been deducted from her universal credit award, but the housing costs element has been included in full. Adviser queried this and was told no deduction was taken because she is entitled to a disability benefit and her husband is entitled to a carer's benefit. There is a similar exemption for the benefit cap but not for the bedroom tax. All overpayments are recoverable in universal credit even if caused by DWP error, although DWP do have the discretion not to recover. The client should be entitled to discretionary housing payments to mitigate the bedroom tax, but this may be difficult to obtain retrospectively if the overpayment is identified and recovered

Benefit cap

What is it?

The benefit cap is a limit that has been placed by the UK government on the amount of benefit that can be paid to working age people. The cap is applied by reducing the amount of housing benefit or universal credit that you are entitled to.

Who does it affect?

3320 Scottish households were subject to the cap in May 2019. The average annual amount lost by households is £3000³

70% are in the social rented sector so whilst high private rents may be the cause of 30% of households being affected by the cap, for the majority there is no cheaper accommodation to move to.

² Scottish Government's Annual Report on Welfare Reform, second follow up paper: Housing and Social Security, January 2020

³ Scottish Government's Annual Report on Welfare Reform, second follow up paper: Housing and Social Security, January 2020

91% of households affected contain children – 87% of them are large families with three or more children. The amount of benefits people are paid is usually calculated according to need in relation to their personal circumstances, but the arbitrary level of the cap means that the more money people need to live on, they more likely they are to be affected by the cap.

Lone parent with five children is being threatened with eviction for rent arrears. Her rent is £175 per week, but she is only getting £13 per week housing benefit after the benefit cap was applied. She is unable to pay the rent, let alone reduce the arrears. #1741

Scottish Government powers

The Scottish Government does not have the power to eradicate the benefit cap or mitigate at source.

Mitigation is through discretionary housing payments (DHP) awarded at the discretion of local authorities. £8.1m was nominally budgeted for in the DHP budget for 2019/20. There is no publically available information about how this figure was reached and whether it is sufficient but if you multiply the average annual loss (£3000) by number of households affected in May 2019 (3320) = £9.96m

Eligibility for a DHP is not immediately apparent in universal credit as the benefit cap is applied by reducing the total award. If an alternative payment arrangement or Scottish Choices are in place, the housing element will be paid direct to the landlord, leaving the client with very little money to live on, but no apparent need for a DHP as the rent is being paid while the total award is reduced.

One local authority reports that of the households they know to have been capped, only 8% have been awarded DHPs.

In future, fewer households will be affected by the benefit cap, as they will be subject to the two child limit instead. There will be even less of an apparent link between this and DHPs.

| Couple with 3 children all born before the two child limit was introduced | Couple with 3 children born after the two child limit was introduced |
|--|--|
| The maximum UC award for this family includes amounts for the couple, each of the three children and rent of £600. Maximum UC award = £1839.31 The benefit cap = £1666.67 so the family will be subject to the benefit cap | The maximum UC award for this family includes amount the couple, two of the children and rent of £600. Maximum UC award = £1562.23 The benefit cap = £1666.67 so the family will not be subject to the benefit cap |

Local housing allowance

What is it?

The local housing allowance (LHA) is the maximum amount that can be paid in relation to rent in the private rented sector. There are different rates depending on the number of bedrooms you are deemed to require. Since 2015 it has been set at the 30 percentile of local rents, or the previous year's level, whichever is the lower.

Who does it affect?

In September 2018 27% tenants renting privately in Scotland were receiving help to pay their rent through social security.⁴

Scottish Government analysis found that only 11 out of 90 LHA rates in Scotland are set at the level allowing families to rent a home in the 30th percentile of the rental market. Four areas have access to less than 5% of the market.

Analysis of the shortfall between LHA and the 30 percentile highlights that larger families typically experience the greatest shortfalls. e.g. £114 weekly shortfall for a family in a 4 bedroom house in Lothian.

A couple with two disabled children moved out of their tenancy because their landlord increased the rent above the LHA. Housing benefit staff told them they would not have to claim universal credit as a result of the move, which would have been correct if they had remained within the same local authority, but they moved to a different local authority and have to claim universal credit. As a result they are £60 a week worse off. #8171 (23/10/19)

Shared accommodation rate

The majority of single people under the age of 35 can have difficulty accessing even the lower end of the sector as they are limited to the LHA rate for a room in a shared flat.

A 19 year old client who is due to give birth shortly is moving into her own tenancy. The rent is £510 a month, but her maximum housing element in universal credit will be £259.78 a month until the baby is born (shared accommodation rate) and £444.42 thereafter (2 bedroom LHA rate). Neither amounts will be enough to cover the full rent and the shortfall will have to be found from the remainder of her universal credit award. #1942

Claimants are exempt from the shared accommodation rate if they have a child living with them. If the child's parents are separated, the child can only be included in one of their parent's households for the purpose of calculating the LHA. This means one parent may be subject to the shared accommodation rate but regularly have their child or children staying with them.

Scottish Government powers

The Scottish Government has the power to change the way the local housing element is calculated in universal credit but has no plans to use these powers in the short term. This is on the basis that it would be costly and time-consuming and the costs and impacts could be influenced by changes made by the UK Government.⁵

⁴ Scottish Government's Annual Report on Welfare Reform, second follow up paper: Housing and Social Security, January 2020

⁵ [Cabinet Secretary for Social Security and Older People and Minister for Local Government, Planning and Housing to Convenor in response to Social Security Support for Housing report](#)

While private rented sector rent regulation is considered by many to be a means of tackling homelessness, such a policy could only benefit people on low incomes if the local housing allowance is in alignment with any cap, otherwise people may still experience rising gaps between the rent charged and the financial support available.

Universal credit

What is it?

Universal credit is replacing six main means-tested benefits, including housing benefit. In May 2019 24% of households receiving help with housing costs in Scotland, were receiving it through the housing costs element of universal credit.⁶

Who does it affect?

Local authorities and housing associations have reported higher rates of arrears since the roll out of universal credit, however Scottish Government report a lack of robust data needed to draw conclusions about the impact of universal credit on rent arrears, but concede that universal credit design does increase the risk of rent arrears. Design issues illustrated by Early Warning System evidence include:

- 5 week wait for the first payment (advances are available, but must be paid back)
- Ongoing deductions for advances, debts, overpayments and rent arrears are causing financial hardship
- Lack of backdating leaves periods where people have no financial assistance towards their rent
- Assessment periods causing financial hardship to people with fluctuating incomes

A couple claimed housing benefit after their income from employment dropped. Housing benefit did not notify them that they were not entitled and should claim universal credit for 3 months, leaving them with 3 months' rent arrears as universal credit cannot be backdated.

#7732

In relation to the administration of universal credit, Early Warning System evidence suggests:

- People are finding it difficult to claim and maintain universal credit online
- There is a lot of confusion about whether to claim universal credit or the benefits it is replacing
- Universal credit entitlement is not always calculated correctly resulting in under or overpayment.

A 17 year old without any parental support was receiving income support, housing benefit and council tax reduction until he was advised to claim universal credit (not know by whom).

⁶ Scottish Government's Annual Report on Welfare Reform, second follow up paper: Housing and Social Security, January 2020

Universal credit was never paid but his existing benefits stopped. Client has been surviving on food parcels and accruing a lot of debt, including rent arrears, for the past 6 months.

Client moved from refuge to retirement accommodation with a warden where she continues to receive support from Women's Aid. She claimed housing benefit, but they took so long to decide that the client should be claiming universal credit instead that the client had accrued £4K rent arrears that cannot be backdated by universal credit. #8411

Discretionary housing payments

What is it?

Discretionary housing payments (DHPs) are a discretionary payment administered by local authorities that can be made to people who are receiving housing benefit or the housing element of universal credit.

Who does it affect?

The Scottish Government budgeted £63.2m for 2019/20 which includes £52.3m for bedroom tax mitigation and a nominal figure of £8.1m to support benefit capped families. There are also plans to provide additional DHP funding to support care experienced people with their housing costs.

With the exception of bedroom tax, there is no guarantee that a DHP will be granted for shortfalls between rent charged and benefit support provided. The uncertainty and having to apply for DHPs repeatedly causes tenants anxiety about their ability to pay rent and the stability of their home.

Adviser reports that a local authority have been refusing DHP applications, to tenants at risk of eviction, on the grounds that they cannot be paid for rent arrears. Arrears accrued because of the benefit cap, bedroom tax or non-dependant deductions being applied. DHP guidance and case law state that DHPs can be paid for rent arrears but when the adviser asked the local authority to use their discretion and revise their decisions the responses didn't address the points that she had raised and cited irrelevant factors. #8990 (6/12/19)

A client with fluctuating earnings has a small entitlement to universal credit, except for one month when a deduction for an advance meant that he did not receive any universal credit and he didn't receive his DHP either. Client should always be left with 1p entitlement to deductions so as to retain entitlement to DHPs etc. #9033

Support for homeowners – loan for mortgage interest

From April 2018 this is in the form of a loan

- 39 week wait after claiming a passporting benefit and need to be entirely out of work
- Expected to impact between 10,000 and 20,000 households in Scotland

By September 2019 21% of claimants eligible for support for mortgage interest had accepted an offer of a loan.

Lone parent of a disabled child was getting her mortgage interest paid but this stopped around a year ago and she doesn't know why. She is struggling financially as a result and considering trying to move to a rented property instead. #8132 (22/10/19)

Impact on homelessness

Early Warning System case evidence indicates that social security reforms and administration can jeopardise housing arrangements, lead to eviction and cause difficulty securing new accommodation. However, homelessness statistics do not collect the data required to understand the links between social security issues and homelessness.⁷ They measure the number of tenancies terminated due to rent arrears and repossessions due to mortgage default. Homeless applications made due to 'failure to maintain accommodation' include financial difficulties, debt, or unemployment but are not broken down any further than that.

Q3 Do you have any proposals that would increase the affordability of housing in the future?

Based on the Early Warning System evidence, affordability must be defined with consideration of the financial support available to pay for housing costs.

Measuring the impact of housing policy to increase affordability should specifically include impacts on people who are in receipt of social security assistance for housing costs'

Ensure the necessary data is collected to identify links between social security policy, rent arrears levels, evictions and levels of homelessness.

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⁷ <https://www2.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/RefTables/homelessness1819tablescharts>