The impact of proposed Welfare Reform on HA/Co-op tenants

Final report to Scottish Federation of Housing Associations

May 2011

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Executive Summary

The study

SFHA commissioned independent research on the potential impacts of Welfare Benefit Reform on tenants and landlords. The research examined the impacts of different elements of welfare reform on tenants and landlords. The research also considered possible policy measures to limit the detrimental impact of the reforms. The outputs of the research also include a web-based calculator for landlords to use with tenants to assess the impact of benefit reform on them.

The potential impacts

The analysis is based on benefits data from the DWP, Scottish Government data, APSR data, Scottish Household Survey data and SCORE data. The findings provide some sobering reading -

- Looking across the proposed changes to Housing Benefit, Universal Credit and other benefit reforms, as many as 1 in 5 tenants may have their incomes adversely affected, with some very substantial income losses for some tenants.
- Rates of non-dependent deductions have already been increased significantly, by secondary legislation. A household with a non-dependent on the minimum-wage for a 40 hour week will lose £48.45 a week in Housing Benefit - an additional £10.25 a week compared to 2010-11 rates. Two per cent of tenants (an estimated 5,590 tenants) may be affected.
- The households most likely to be affected by the up-rating of non-dependent deductions are mixed adults and older persons and households containing two adults or two adults with children (most likely a single parent). Over a quarter of the households likely to lose out also have younger children.
- Just under a third of working-age tenants under-occupy their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit according to DWP estimates. The number of tenants affected is likely to be somewhere between 31,500 and 42,900 tenants. This might cost HA/Co-op tenants between £18 million and £24.5 million in lost benefits over a year.
- However, looking at average rents for housing association and co-op properties from APSR data suggests that the average impact figure of £11 per week would appear to be quite high, compared with average rents. There are also considerable differences in the rents charges, so it is important for associations to have information about the ‘regional rent’ so that they can look at the likely impacts of under-occupancy with more confidence.
The households most likely to be affected by the under-occupancy rule are single adults, 2-adult households and single parents (1 adult plus children). More than half of under-occupying tenants are single people (52%). The most common scenario would appear to be 'the empty nest', with 56% of those affected aged 45 years or older.

However, around 1 in 5 households affected by the under-occupancy criteria are aged less than 35 years, with 5% aged under 25 years old.

Tenants will be penalised for under-occupying but have little option but to do this. There is a significant lack of 1-bedroom properties – 44% of working-age HA/Co-op tenants need a one-bedroom property but only 24% occupy one. Across all tenants, 62% need one bedroom but only 34% have this. This represents chronic under-supply.

Universal Credit will set a cap on benefits to working age households, which will affect an estimated 1% of the caseload - an estimated 1,700 HA/Co-op tenants across Scotland. Although the numbers affected are low, the losses are significant, at an average of £66-£93 a week. Larger households with children will be most at risk of this measure so child poverty may worsen.

The DWP aims to reduce expenditure on disability benefits from 2013-14 by 20%. Almost one in five HA/Co-op tenants and one in six working-age tenants receive Disability Living Allowance so the impact on the sector could be hard. If 20% of current recipients were ineligible, this would be four per cent of tenants. The tenants of specialist providers will be most significantly affected by these cuts.

15% of tenants receive Working Tax Credit, of which about 12% have children. The 10% cut in childcare payments will affect many of these tenants.

A further 16% receive Incapacity Benefit/Employment and Support Allowance and we would expect around two per cent of tenants to lose these benefits, based on DWP estimates.

DWP propose to pay Universal Credit directly to tenants, monthly, in arrears. This poses a significant risk to household budgeting which could impact on landlord rental income and is likely to affect the confidence of lenders.

Even before benefit reform, 20% of HA/Co-op working-age tenants on Housing Benefit say they are in ‘some financial difficulties’ and 5% are in ‘deep financial trouble’ while 15% ‘don’t manage very well’¹. If 40% of working-age tenants on Housing Benefit find finances difficult to manage before the cuts, the impact on arrears could be significant.

¹ Scottish Household Survey data 1999-2008
The impact of proposed Welfare Reform on HA/Co-op tenants

- Any cuts to the Social Fund are also likely to affect tenants’ ability to maintain a tenancy without getting into debt to buy white goods, furniture, homeware, etc.

- Housing associations and co-ops in urban areas and more remote rural areas have proportionately more tenants affected, as they have a greater proportion of working age tenants.

- Landlords in areas with higher than average current weekly Housing Benefit awards are likely to be more vulnerable to the setting of a ‘regional rent’.

- A conservative estimate of the potential impact on rent arrears would be that an additional five per cent of HA/co-op tenants might fall into rent arrears, resulting in an additional 50 to 75 evictions each year. This could increase arrears management costs by around a sixth, or 17%.

**Wider impacts**

- Almost half of homeless presentations by young people aged under 25 years old are made from the parental home due to a non-violent dispute or being asked to leave. The proposed benefit changes could impact on this in different ways.

- There will be an impact on housing options for young, single people facing the choice to move or stay with parents to avoid non-dependent deductions but both the parents and the young person may face under-occupancy penalties if the young person moves to a two-bedroom property. The affordability of different housing options will become more complex and more housing options and welfare benefits advice will be needed.

- We would also expect to see a slowing down of housing allocations, with the under-occupancy criteria discouraging some young, single people and couples from bidding for or accepting a two-bedroom property. Young people who decide to opt for a larger property than they need would be a key group for additional ‘pre-emptive’ arrears management support.

- Slower allocations may discourage some young people from forming new households, but might also have a knock-on effect on the length of time homeless households spend in temporary accommodation or living with friends in less settled accommodation.

- The demand for social renting will be affected indirectly by the impact of Housing Benefit reform in the private rented sector, with the PRS offering fewer options to help prevent homelessness or house homeless households.

- There is some evidence that the private rented sector will struggle to accommodate households in the prevention of homelessness and the alleviation of homelessness.
Tenancy sustainment may suffer in the short term, as it is more common for tenancies to end in arrears without eviction or to be abandoned, with younger tenants returning to parents or opting for flat sharing.

We might expect an initial ‘churn’ of tenancies where there is sufficient housing stock but the option to move to cheaper accommodation will not exist in the social or private rented stock in some areas.

**Case studies**

The information provided by a number of case study housing associations provide insights into the issues and concerns for landlords -

- Landlords have been working to try and assess the extent to which the proposed benefit changes will impact on their stock and tenants.
- The under-occupancy criterion is an area of particular concern for many housing associations as it affects the largest number of tenants. In some rural areas in particular, under-occupancy rates are high but the stock is not able to accommodate ‘trading down’
- Landlords have expressed concern about how the measures will impact on their tenants, many of whom are already very vulnerable financially or have drug, alcohol or other addictions issues.
- Landlords provide examples of vulnerable tenants for whom the prospect of receiving Housing Credit directly might result in further arrears, particularly among tenants with drug, alcohol, solvent and gambling addictions.
- Landlords have identified the need for additional resources – Housing Officers, Welfare Rights/Money Advice workers to deal with tenants’ financial issues.
- There are also examples of rural areas, where landlords allocate the housing that they have to the waiting list they have, which leads to tenants occupying larger properties than they need due to necessity and availability rather than choice.
- There was concern expressed about the combined impact of some measures for some tenants with older children. Having additional rooms for absent adult children alongside resident adult children results in lost Housing Benefit due to non-dependent deductions and under-occupancy.
- One landlord was currently allocating tenancies to allow older teenage children who need space to study for exams to have a bedroom to do so. This approach supports the emphasis of ‘fairness’ embodied in recent government policy - pupil premiums and fairness premiums.
- A representative from another area also expressed concern that losing an extra bedroom for teenage children would have an adverse effect on youth disorder or put additional pressure on youth services.
• Research on rent arrears conducted by the Glasgow Housing Association identified a number of types of tenant behaviour that may become more problematic as a result of direct payment of Housing Credit to tenants. This includes the ‘ostrich’ behaviour of many (often vulnerable) tenants and the phenomenon of ‘erratic payment’. The effectiveness of some intensive support arrangements may also be undermined by tenants being paid monthly.

Policy recommendations

Recognising the limitations of housing supply

• The chronic under-supply of one-bedroom properties is a serious structural problem for housing associations. Smaller households will suffer financial hardship due to under-occupancy where there is no alternative stock available. DWP need to consider how the under-occupancy rule can operate where no alternative supply is available.
• Housing supply is a major impediment in Scotland, with far too few one-bedroom properties available. Landlord business plans need to respond to the lack of one-bedroom properties, but may not be in a position to do so, given the current funding framework.

Providing the financial stability to enable social landlords to increase supply

• Ideally, DWP should allow the Housing Cost element of Universal Credit to be paid directly to landlords and SFHA is lobbying hard to get this point across. If this cannot be achieved, DWP must involve landlords and housing support/care providers in identifying vulnerable groups to ‘opt-out’ of Direct Payment of housing costs to tenants.

Supporting rent retrieval activity

• DWP should enable arrangements that support the quick retrieval of arrears and stabilise future rental incomes. DWP needs to develop fast and efficient information systems to support landlord rent retrieval activity. The ‘remoteness’ of the DWP compared with local authority Housing Benefit departments may cause practical difficulties for landlords.
• Tenants will need clear, prompt information about changes to their housing payments so that they can pay rent short-falls promptly.

Reducing undesirable impacts

• There is a need to support parenting/access arrangements by excluding those with absent children from the under-occupancy rules. DWP should also consider the educational impact of the measures, for teenage children. How will this policy fit alongside the ‘fairness premium’ and ‘pupil premium’?
• Allowing an additional bedroom for absent parents with access rights and for teenage children approaching Standard Grades and in need of more
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personal/social space would have a marginal impact on the Housing Benefit savings.

- Concerns have also been raised by some youth centres that young people may feel they have no space of their own if forced to share with a much younger sibling. This may put youth services under increased pressure.

- At the moment, the shared accommodation allowance for the under 35s does not apply to the social rented sector. However, there are some concerns that it may apply in future, which might further undermine tenants' custody arrangements. DWP should exclude those with access arrangements from this measure across both tenures, to support parenting.

Understanding cumulative effects

- DWP needs to develop overall impact assessments, taking the cumulative effect of different measures into account. Those losing DLA will potentially lose out further by becoming eligible for non-dependent deductions and the cap on Universal Credit. Their carers might also lose associated carer benefits. DWP also needs to be clearer about ‘transitional’ arrangements for those who will lose significant amounts of benefit.

Consulting on localised benefits

- There are many concerns with the proposals for localising Council Tax Benefit and the Social Fund too quickly without adequate consultation.

- The taper of Universal Credit - the main driver of work incentives - could be undermined by a separate Council Tax Benefit taper.

- Local authorities could be faced with the task of administering Crisis Loans to all those for whom Universal Credit does not get paid on time or correctly. This could be a huge undertaking, especially at a time of fiscal restraint, redundancies and budget cuts.

- There needs to be more consultation about how best to administer the different elements of the Social Fund and to consider the transition arrangements between the current scheme and the new scheme.

Rethinking Universal Credit structures

- The ‘monthly payment’ model needs provisions for the most vulnerable households. Support/care providers should be able to negotiate weekly or 2-weekly payments for their most vulnerable clients who are unable to manage money and who are dealing with complex mental health and substance misuse issues.

- The on-line Universal Credit application process is likely to pose difficulties for many tenants, including older tenants or more vulnerable tenants with learning difficulties or mental health issues. This will need additional support in place locally, with the provision of Internet access and support.
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Again, access to online facilities is being limited by the closure of libraries and other community resources.

***Encouraging better use of the stock***

- Some landlords offer schemes to encourage tenants to downsize, through paying for removal costs and decorating costs. This approach might be one that landlords might consider useful to encourage older tenants to move to more affordable, manageable properties. It may also become more attractive for tenants who may be affected by the under-occupancy rules.

- Since older households will not be penalised for under-occupancy, it makes more sense to encourage older single people or couples to trade down to two-bedroom, rather than one-bedroom properties. This ensures that the smallest properties are used by those who will suffer financially from under-occupancy.

***Widening Housing Options***

- Homeless and mainstream waiting lists include many young, single people who might need to wait longer for a one-bedroom property or face financial hardship. As part of a ‘housing options’ approach, landlords may need to encourage prospective young tenants to weigh up their choices, to consider staying with parents for longer or sharing private rented accommodation.

- A clear discussion of the affordability of renting and the constraints of the Housing Benefit system need to be part of a housing options approach. Might young people consider private rented flat-sharing if housing providers could facilitate this?

- An expansion of mid-market rent may be a more feasible and attractive for landlords in areas where there is insufficient private renting as an alternative to social renting.

- Wider Role funding is likely to be important to enable housing associations to develop more innovative housing projects involving training and personal development. However, the future Housing Benefit status of currently exempt and excluded accommodation may impact on the viability of that option. Housing associations need more clarity on this issue.

- There is no information yet about how the ‘regional rents’ will be used to decide how much Housing Benefit under-occupying tenants will forfeit for an extra room. DWP needs to provide this information to allow landlords to plan for the future, to consider whether rent structures need re-considered.
1 Background and research aims

1.1 Background

1.1.1 The changing policy environment

The scope of the Welfare Reform Bill and associated legislation is considerable, with numerous strands. Although Housing Benefit has the most direct impact on social landlords, all of the potential reforms might impact on tenants and so the impact assessment has considered these. The welfare reforms announced so far are:

<table>
<thead>
<tr>
<th>Benefit changes</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up-rating of non-dependent deductions</td>
<td>April 2011</td>
</tr>
<tr>
<td>Local Housing Allowance (LHA) is capped based on property size, with a maximum of £400 a week for a 4-bedroom property. The £15 LHA excess is removed.</td>
<td>April 2011</td>
</tr>
<tr>
<td>Disabled private renters with an overnight carer may be eligible for an additional room allowance on their Housing Benefit.</td>
<td>April 2011</td>
</tr>
<tr>
<td>Changes to Working Tax Credit - a drop in childcare costs paid from 80% to 70% as well as changes to thresholds/tapers</td>
<td>April 2011</td>
</tr>
<tr>
<td>The re-assessment of Incapacity Benefit and Severe Disablement Allowance claimants with the expectation that a further 5% will be found fit for work (saving an estimated £77.7mn a year, net of costs).</td>
<td>April 2011</td>
</tr>
<tr>
<td>Up-rating benefits by the Consumer Price Index (CPI) rather than the retail price index (RPI)</td>
<td>2011-2013</td>
</tr>
<tr>
<td>LHA rates will be set at the 30th percentile of local rents (instead of the 50th percentile)</td>
<td>October 2011</td>
</tr>
<tr>
<td>Extend the Single Room Rate for LHA from age 25 to age 35 (HB to cover a room in accommodation with shared facilities)</td>
<td>January 2012</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Benefit changes</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caps on Housing Benefit based on property size for under-occupying social tenants of working age.</td>
<td>April 2013</td>
</tr>
<tr>
<td>All working-age benefits will be replaced with a Universal Credit with a benefit cap of £350 a week for single people and £500 per week for couples. More conditions and sanctions, also.</td>
<td>2013-2017</td>
</tr>
<tr>
<td>Replacing Disability Living Allowance with Personal Independence Payment, with the aim of reducing the amount payable to working-age claimants by around 20%</td>
<td>2013-2017</td>
</tr>
<tr>
<td>The localisation of the Social Fund and Council Tax</td>
<td>2013-2017</td>
</tr>
</tbody>
</table>

This is a fast-changing and complex policy area, with new announcements about proposed changes being made periodically. Not all the changes are being made as part of the Welfare Reform Bill. For example, the up-rating of non-dependent deductions was part of secondary legislation. Changes to Working Tax Credit were also made through secondary legislation and without a full impact assessment.

1.2 Research aims

SFHA commissioned independent research on the potential impacts of Welfare Benefit Reform on tenants and landlords. The main aim of the research was to assess the possible impact of different elements of the Welfare Reform Bill including the proposed changes to Housing Benefit and broader changes to different groups of benefits. The research also considered possible policy measures to offer savings while reducing the detrimental impact of the reforms. The outputs of the research will also include a web-based calculator for landlords to use with tenants to assess the impact of benefit reform on them. Further work to help landlords to assess the overall impact on their tenants is also planned.
2 Research methods

2.1 Document review

The impact assessment involved an initial review of the DWP impact assessments, impact assessments by the Scottish Government and a review of other publications and ‘think-pieces’ on the likely impact of the proposed benefit changes. These publications helped to shape the secondary data analysis described in Section 3. Section 4 provides a summary of some of the key issues and themes raised so far.

The first stage of the research involved a detailed review of the Welfare Reform Bill to look at the scope of the Bill and the definition of key terms – for example, identifying excluded groups from the non-dependent deductions rules and identifying the precise definition of ‘under-occupying’ in terms of assumptions about the number of rooms required.

Once the terms of reference were established, the overall impact assessment was undertaken, using a range of published documents and data sources.

2.2 Secondary data analysis

2.2.1 DWP data

The most accurate data available on the current receipt of benefits is from the DWP. Data from DWP impact assessments and DWP benefits extracts has been used to validate the SHS analysis and where there are too few cases in the SHS to make analysis robust. DWP data on the current level of current non-dependent deductions, for example, is useful to identify in more detail the total number of households involved in Scotland.

2.2.2 Scottish Government data and analysis

The report refers to the analysis undertaken by the Scottish Government in their impact assessments. Some of that data refers to the whole social rented sector but the analysis is useful context and the analysis of the private rented sector provides useful information on how Housing Benefit policy may impact on housing associations and co-ops indirectly.

2.2.3 SCORE

Looking at SCORE data provides insights into the experiences of newer tenants. For example, looking at the profile of new tenants compared with all tenants shows how tenant experiences are changing. It allows us to examine the extent to which new tenants are more or less vulnerable to Housing Benefit reform. It also allows an exploration of the size of properties being let,
compared with properties overall, to consider the functional supply of housing association/co-op properties.

2.2.4 APSR
APSR data provides useful information on the stock profile, as well as headline performance measures that Housing Benefit reform might impact on e.g. - average rents, HB receipt and the overall level of arrears. APSR data provides tenancy ‘population’ data on which to base estimates for the impact assessment. This enables us to ‘gross up’ the SHS analysis based on figures on the total number of tenancies across Scotland, for example.

2.2.5 Scottish Household Survey
The data source used for much of the analysis of the experiences of housing association and co-op tenants was the Scottish Household Survey. The benefit of using a large, socio-economic dataset like the Scottish Household Survey is that it contains lots of information about households - age, household type, number of bedrooms, household working status, location/rurality, income, benefit receipt and perception of financial difficulty, among other things.

The SHS data covers the period from 1999-2008, so it is possible to build a large dataset of housing association/co-op tenants on which to base the analysis. There are 11,221 housing association and co-op tenants identifiable from the SHS data for this period.

2.3 Case studies
As well as looking at the various data sources above, SFHA asked landlords to provide case study information from their experiences to give more in-depth insights into how the proposed benefit changes might impact on their tenants.

Landlords have provided information on how they currently allocate their housing and how the new under-occupancy rules might affect this. Some landlords have also provided example tenant case studies to show how tenants might be affected.

2.4 Web-based tool and guidance
The details available so far from the DWP on the various changes to benefits have been used to design a calculator for use by Welfare Rights Officers (WROs). This tool collects information from individual tenants to identify their risk of losing benefits from (1) Non-dependent deductions (2) Under-occupancy rules (3) the cap on Universal Credit and (4) proposed changes to other benefits - Working Tax Credit, Disability Living Allowance and Incapacity Benefit/Employment Support Allowance. This tool will be tested by landlords and developed into a web-based tool for WROs to use with tenants.

Further case study work is also planned to develop guidance for landlords on how to assess the overall likely impact on their tenants and stock, based on key
characteristics of the stock and tenants. The case study work will involve looking at housing association data but also talking to staff about how it is used, compiled and updated, and how it could be used for other purposes without too much more effort.

3 The impact assessment

3.1 Introduction
The main task of the research presented here is to assess the impact of the proposed changes on different types of household (based on the household type used in SCORE). The main analysis is on the direct impacts, though analysis is presented on less direct impacts, from changes in behaviour, tenure choice and knock-on effects on rent arrears and homeless presentations.

There are some proposals that are also not very well developed in the Bill at the moment but which are likely to have an impact on HA/Co-op tenants and landlords. For example, the localisation of the Social Fund is presented as part of the Welfare Reform Bill, but without detail about the amount of funding likely to be available or how the scheme will be administered. However, since the rationale for the amendment includes rising costs and one of the main benefits of local provision includes prioritising ‘the most vulnerable’ it is fair to assume that there is a planned reduction or ‘freezing’ of that expenditure.

Likewise, the proposals for the changes to Disability Living Allowance towards the Personal Independence Payment include a new objective assessment to identify those most in need. The initial DWP impact assessment suggests that changes from 2013-14 will result in a 20% reduction in expenditure an estimated £2,170 million. It is not clear at this stage who will be negatively affected by the changes but the analysis here considers the possible impact on Housing Association and Co-op tenants.

The analysis here makes some attempts to identify who will be affected by changes to Housing Benefit, and also changes to other benefits.

3.2 An increasingly vulnerable client group
Across Scotland, in the last eight years, the total number of homeless presentations have tracked a fairly consistent path, at between around 9,600-11,000 presentations per quarter (Figure 1). We see some within-year patterns,
with a dip in presentations in the fourth quarter of each year preceding a jump in presentations in the first quarter of the next year.

**Figure 1: Number of homeless applications by quarter (n)**

![Scotland - number of homeless applications](image1)

Although the total number of presentations seems to follow a fairly linear path (albeit within the 1,400 presentation ‘buffer’ zone) the proportion of applicants assessed as being in priority need has increased steadily from 72% in the second quarter of 2002 to 87% in the first quarter of 2010 (Figure 2).

**Figure 2: % of homeless applications assessed as in priority need**

![Scotland - % of homeless applications in priority need](image2)

This may indicate that needs are becoming more complex among the client group (including patterns of drug/alcohol misuse), reflect underlying social phenomena such as patterns in relationship breakdown, delayed 'couple'
household formation and more parent/child conflict. It may even suggest some conscious or subconscious loosening of criteria among local authorities as they prepare for 2012.

SCORE data for 2009-10 found a 2.9% increase in the proportion of households who were statutorily homeless before taking up their tenancy, to 28.4% in 2009-2010.

3.3 A heavily benefit-dependent sector

The July 2010 Housing Benefit Extract from DWP shows that just over 176,000 Housing Benefit claimants occupied HA/Co-op properties - that is 37.4% of all claimants\(^3\). APSR data for 2009-10 shows a total stock of 282,936 dwelling units in the sector\(^4\) and an average income loss through voids of around 1.2% of gross rental income. Taking this as an average void estimate, this gives an average tenanted stock of around 279,500. That would mean that around 63% of tenants were claiming Housing Benefit as at July 2010. Any changes to Housing Benefit have the potential the affect a large proportion of tenants.

However, total caseload data from DWP shows that working age recipients are just 34% of the total benefit caseload\(^5\). This puts the targeting of benefit reforms on working age recipients into some perspective. It concentrates the impact of savings on just over a third of the case-load.

Aside from Housing Benefit, wider elements of the Welfare Reform Bill - the capping of Universal Credit and the aspiration to reduce spending on Personal Independence Payment (which will replace Disability Living Allowance - DLA) and the re-assessment of existing Incapacity Benefit/Employment Support Allowance recipients will also significantly impact on HA/Co-op tenants.

Looking at the profile of HA/Co-op tenants from the Scottish Household Survey\(^6\), we find that 30% receive Income Support, three per cent receive income-based JSA and one per cent receives contribution-based JSA. Overall, 13% receive DLA for care and 12% receive DLA for mobility and 13% receive Incapacity Benefit/ESA.

\(^3\) Housing Benefit changes: Scottish Impact Assessment, Communities Analytical Services, Scottish Government, March 2011

\(^4\) Or 272,401 tenants in self-contained units. All units is taken for the calculation as facilities in shared accommodation would still be eligible for Housing Benefit (The Scottish Housing Regulator - Scottish Registered Social Landlord Statistics 2009-10 - http://www.scottishhousingregulator.gov.uk/stellent/groups/public/documents/webpages/shr_2009-10tablea1arslstockbyp.xls )


\(^6\) The analysis is based on the SHS combined data for 1999-2008. Data for JSA is for a shorter period (2005-2008), as these benefits were introduced in 2005.
SCORE data for 2009-10 suggests that newer tenants are more benefit-dependent, with 68% of new tenants in 2009-10 eligible for Housing Benefit, compared with 63% of all tenants, from the DWP data above. SCORE data for 2009-10 also found that the most common household economic status was ‘unemployed’ for the first time since 2005-06.

Figure 3: SCORE economic activity profile 2009-10

This suggests that the potential impacts of the proposed welfare reforms are likely to be significant and may increase in future if tenants continue to become more vulnerable. The following sections assess the impact of each proposal on HA/Co-op tenants and landlords.

7 SCORE Annual Digest Table 1.21 - Housing Benefit Eligibility - all households
3.4 Non-dependent deductions

3.4.1 The policy

Up-rating the previously frozen non-dependent deductions to reflect rent increases since 2001/02 began in April 2011. This change to the benefit rules was made as part of secondary legislation in December 2010, and so is not now part of the Welfare Reform Bill. The basic rate was increased from £7.40 to £9.40 per week for non-dependents (people in the households aged 18 or over who are not the spouse/partner of the Housing Benefit recipient) with higher rates for working non-dependents earning more. There are exclusions, including HB recipients who get DLA, Attendance Allowance or are registered blind. Similarly, no deductions are made for non-dependants who are:

- receiving Pension Credit;
- aged under 18;
- aged under 25 who are receiving Income Support or income-based Jobseeker’s Allowance;
- aged under 25 who are in the assessment phase (first 13 weeks) of income-related Employment and Support Allowance;
- a prisoner;
- a full-time student; or
- in hospital for 52 weeks or more.

The rates for those over 18 years old who are in work range from £9.40 at earnings of £122.00 per week to £60.60 for those earning £387.00 or more per week. A job with a minimum-wage income for a 40 hour week (5.93 x 40 or £237.20) would lose £48.45 in Housing Benefit - an additional £10.25 than currently is the case.

3.4.2 Likely impacts of uprating non-dependent deductions

Analysis of the SHS 1999-2008 dataset found that two per cent of HA/Co-op tenants on Housing Benefit contained at least one non-dependent person on the basis of the criteria above (and excluding householders in receipt of DLA, Attendance Allowance etc.). Based on an estimated tenant body of around 279,500 tenants, an estimated 5,590 HA/Co-op tenants (i.e. two per cent of tenants) might be affected by the up-rating of non-dependent deductions.

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8 Equality impact assessment - Income-related benefits: change to the non-dependant deduction rates, DWP, February 2011

9 The 9-year dataset was compiled for the purposes of the research to provide a larger sample of Housing Association and Co-op tenants than available from annual data. The data covers the period from 1999-2008, including just under 10,000 HA/Co-op tenants.
The households most likely to be affected by the up-rating of non-dependent deductions are mixed adults and older persons and households containing two adults or two adults with children (most likely a single parent). Over a quarter of the households likely to lose out also have younger children.

3.4.3 Behavioural change or absorbing the costs?

Less than one in five of the households with non-dependents said they received ‘dig money’ as part of their income. This suggests that the householder and spouse do not tend to receive income from non-dependents and are more likely to absorb any deductions in Housing Benefit. Also, in almost half of cases, non-dependents are not working so the contribution they are likely to be able to make is limited.

Research in 1996 by the Policy Studies Institute found a mixed understanding of non-dependent deductions. The survey research found that around 4 out of 5 people knew their Housing Benefit was reduced because of there being a non-dependent person in the household. However, in-depth interviews showed that people did not make a connection between the non-dependent deduction and a possible contribution from non-dependents. Rather, the deductions were described as an effective rent increase for having a non-dependent living there. These findings suggest that the most likely response from households will be to absorb the additional cost of the non-dependent deduction. In some cases, where ‘dig money’ is given to the householder, this might be increased. However, evidence from the SHS suggests that this is a less common scenario and so at least some of these households will be more vulnerable to falling into rent arrears.

3.5 Under-occupancy

The SHS collects information about the number of bedrooms, the age and sex of each person in the household and their relationship to the Highest Income Householder, so can be used to assess the extent to which the properties occupied by HA/Co-op tenants on Housing Benefit are the right size for their needs. The proposed guidance from the Welfare Reform Bill is that each couple or single adult requires a bedroom, two children aged under 9 years can share a bedroom and two children of the same sex under the age of 16 can share a bedroom. This is more generous than the bedroom standard used in the Scottish House Condition Survey, which pairs up children of the same sex aged less than 20 years.

The impact of proposed Welfare Reform on HA/Co-op tenants

Table 1 shows the proportion of working age HA/Co-op tenants who have properties above the bedroom standard, at the bedroom standard and below the bedroom standard (based on analysis of 2,392 HA/Co-op tenants of working age on HB). Overall, 32.8% of HA/Co-op tenants of working age who receive Housing Benefit have at least one more bedroom than their household composition suggests they require. That is 7% of all HA/Co-op tenants.

If there are 244,420 housing benefit recipients of working age in the social rented sector and 46% of these are in housing association/co-op tenancies (proportionate to the HB claimant share), an estimated 36,900 HA/Co-op tenants might be affected by the under-occupancy rules based on the SHS analysis.

Table 1: Assessment of number of bedrooms against the WRB bedroom standard

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3+ above standard</td>
<td>0.3%</td>
</tr>
<tr>
<td>2 above standard</td>
<td>5.3%</td>
</tr>
<tr>
<td>1 above standard</td>
<td>27.2%</td>
</tr>
<tr>
<td>Equal to standard</td>
<td>60.0%</td>
</tr>
<tr>
<td>Below standard</td>
<td>7.2%</td>
</tr>
<tr>
<td>Base (HA/Co-op tenants on HB of working age)</td>
<td>2,392</td>
</tr>
</tbody>
</table>

Source: SHS 1999-2008 data, Base: HA/Co-op households of working age on HB

Table 1 also suggests that the stock overall is too large, rather than there being a mismatch between the occupants and the stock. Just seven per cent of households of working age on Housing Benefit are over-crowded so if the equivalent proportion of under-occupying working-age households ‘swapped’ with these households, more than a quarter of households would still be under-occupying.

Of course, older households also under-occupy their housing, with 42% of older HA/Co-op tenants under-occupying in the SHS data. Encouraging these households to trade down may free up properties for households experiencing overcrowding but there is a lack of smaller properties for older households to move into. Since older households will not be penalised for under-occupancy, it

11 Housing Benefit changes: Scottish Impact Assessment, Communities Analytical Services, Scottish Government, March 2011
makes more sense to encourage older single people or couples to trade down to two-bedroom, rather than one-bedroom properties.

3.5.1 How does the estimate compare to others?

The Scottish Government impact assessment, updated in March 2011, estimated that under-occupancy would impact on 95,400 working age social renters. Producing an estimate based on this figure, would be 42,900 housing association/co-op tenants.\(^\text{12}\)

The Scottish Government impact assessment estimated a significantly higher number affected than in the DWP impact assessment (based on actual Housing Benefit data alongside survey data), which estimated that 70,000 social rented tenants would be affected in Scotland, with an average weekly Housing Benefit loss of £11 per week. This was 70,000 of the estimated 670,000 affected across the England, Scotland and Wales.

Assuming that HA/Co-op tenants are 45% of all social renters in Scotland,\(^\text{13}\) a broad estimate based on the DWP analysis would suggest that 31,500 HA/Co-op households would be affected. The ‘true’ impact is likely to be somewhere between the ‘low’ DWP estimate of 31,500 and the ‘high’ Scottish Government-based estimate of 42,900. The SHS-based estimate of 36,900 is around the midpoint between these.

The DWP impact assessment\(^\text{14}\) found that the average Housing Benefit which would be lost by a household would be £13.00 per week overall - an average of £11.00 for one extra bedroom and £20.00 for two extra. The estimate across all social renters in Scotland was a loss of £11.00, on average. The DWP assessment is based on ‘regional rents’. At present, it is not clear at what geographical level these ‘regional rents’ are based.

If this average of £11 per week were applied across the DWP ‘low’ estimate of under-occupying tenants, this would cost HA/Co-op tenants of £18 million in lost benefits over a year. Using the ‘high’ Scottish Government estimate would increase this figure to £24.5 million.

However, looking at average rents for housing association and co-op properties from APSR data suggests that the average impact figure of £11 per week would appear to be quite high, compared with average rents. The average 1-apartment rent is £46.80 while the average 2-apartment rent is £53.87 and 3-apartment is

\(^\text{12}\) Assuming that HA/Co-op tenants are 45% of all tenants, in relation to the stock profile (see note 13 below)

\(^\text{13}\) In March 2009, HA/Co-op properties were 10.9% of the stock while LA/New Town/ Scottish Homes were 13.2% - http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSSF/KeyInfoTables

\(^\text{14}\) Under-occupation in social rented housing - Impact Assessment, DWP, 16\(^{\text{th}}\) February 2011
The impact of proposed Welfare Reform on HA/Co-op tenants

£60.13$^{15}$. This is an average difference of £7.07 between 1- and 2-apartment and £6.26 between 3- and 2-apartment.

These figures are averages, so conceal the considerable differences in rents charges by different associations, ranging from less than £40 per week to more than £70 per week for a 2-apartment property. It is important for associations to have information about the ‘regional rent’ allowance so that they can more effectively predict the likely impacts of under-occupancy.

3.5.2 Who would be affected by the under-occupancy rules?

The households most likely to be affected by the under-occupancy rule are single adults, 2-adult households and single parents (1 adult plus children) (see Figure 4).

Figure 4: The household profile of under-occupying households

Source: SHS 1999-2008 data, Base: Households, under-occupying working-age HA/Co-op tenants on HB (n=974)

It is interesting to note that the DWP definition of ‘working-age’ means that some older households (aged 60 years plus) are under-occupying since they are not yet at state pension age. Seven per cent of households likely to be affected by

$^{15}$ The Scottish Housing Regulator - Scottish Registered Social Landlord Statistics 2009-10 - Table R1a Average weekly secure rents (lettable self contained units per apartment size) by RSL & Peer Group
the under-occupancy conditions contain at least one person aged 60 years or older.

Looking at the age of under-occupying households, in 18% of cases the Highest Income Householder is aged under 35 years old (5% are under 25 years old), 25% are aged 35-44 years old, 50% are aged 45-59 and 6% are older. The most common scenario would appear to be 'the empty nest'.

In 83% of cases, the household under-occupies by just one bedroom and in 53% of cases, the household occupies a two-bedroom property.

3.5.3 Special cases – maintaining residential access to children

Analysis of the Scottish Household Survey marital status data for 2007-08 shows that almost 15% of adults in HA/Co-op properties are separated, divorced or from a dissolved civil partnership. In just over three-quarters of these cases, there are no children living in the household. That is around 9% of adults in HA/Co-op properties. Of course, not all of these separated or divorced HA/Co-op tenants will have children living elsewhere.

It is reasonable to assume that those aged less than 45 years old are more likely to have children in another household. That is 11% of all those separated or divorced people with no children present, or around one per cent of all tenants. Not all of these will have access issues. Assuming half of them do would give an estimate of around 1,400 tenants.

Based on this estimate, applying ‘special measures’ to under-occupying tenants with the need for an additional room for child access reasons would ‘cost’ £800,000 a year for Scottish HA/Co-op tenants (based on 1,400 tenants at an average of £11 per week. Applying the same 0.5% factor across the projected total saving from 670,000 tenants would be an overall loss of £3.8million a year of the £770 million projected savings in 2014-2015.

3.5.4 Special cases – space for teenage children

Some landlords have more generous allocations policies that recognise the importance of space for children as they approach their Standard Grade examinations. There is also some case-study feedback from one housing association concerned that requiring older children to share with younger siblings may put pressure on youth services in their area.

Looking at the households in the SHS who would fail the under-occupancy measure, just half of one per cent of those contains a young person aged 14-15 years old sharing with a sibling. Enabling these children to have extra space for studying and having friends over would have a very marginal affect on the proposed savings.
3.5.5 Special cases - disabled tenants

There is an allowance for an extra room for carers in the Welfare Reform Bill. This is one area where tenants might benefit rather than lose eligibility. An estimate of the likely impact of that can be made using Attendance Allowance among single people as a proxy for receiving intensive outside care. Just over 6% of HA/Co-op tenants who receive Housing Benefit also receive Attendance Allowance but live alone. That is an estimated two per cent of all HA/Co-op tenants. However, 9 out of 10 of these households are pensioner households so the proportion affected by any Housing Benefit consideration for an additional room would be very tiny, at 0.2%. The numbers of disabled tenants adversely affected by other measures will far outweigh any benefits experienced by these tenants.

3.6 Housing Supply

The DWP impact assessment assumes no behavioural change on behalf of the tenant, when estimating the impact on lost Housing Benefit. Those under-occupying are assumed to remain under-occupying while paying, in Scotland, their average additional rent of £11 per week. One of the reasons that this assumption is a reasonably safe one is the overall profile of the housing stock occupied by working-age tenants on Housing Benefit.

The under-supply of one-bedroom properties is the main issue for the housing stock not fitting the needs of those on Housing Benefit. Among working-age housing association and co-op tenants on Housing Benefit in Scotland, oversupply is evident in both the two and three-bedroom stock. For social renters in England, the over-use of 3-bedroom properties is more common (Figure 5).

This means that the impact, in terms of lost Housing Benefit, should be less strongly felt by HA/Co-op tenants in Scotland as they are more likely to be under-occupying by only one room. This is why the average lost benefit is assumed to be £11 per week in Scotland, compared with £13 per week overall, across England, Scotland and Wales.
Looking at the housing occupied by tenants overall, from SHS data, and the stock turning over in the past year, from SCORE (Figure 6), we see that 44% of new tenancies are 1 bedroom, or 1-2 apartment, compared with 34% of tenancies generally. This means that, on the one hand, smaller properties are the most likely to come available to let, which is good, since this is where unmet demand is. However, it also shows a lack of movement in 4-apartment properties. The challenge may be encouraging some tenants in larger properties to ‘trade down’ if they are facing a loss of Housing Benefit.
The impact of proposed Welfare Reform on HA/Co-op tenants

Figure 6: The stock occupied by tenants overall and newer tenants

<table>
<thead>
<tr>
<th></th>
<th>All tenants</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (1-2 apt)</td>
<td>34.2</td>
<td>44.3</td>
</tr>
<tr>
<td>2 (3 apt)</td>
<td>41.8</td>
<td>40.7</td>
</tr>
<tr>
<td>3 (4 apt)</td>
<td>20.9</td>
<td>12.8</td>
</tr>
<tr>
<td>4+ (5+ apt)</td>
<td>3.1</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: all tenants from SHS 1999-2008 dataset (households, all HA/Co-op), new tenants from SCORE data 2009-10

Of course, the greater proportion of new tenancies being in smaller properties may also be a negative indicator of the relatively lower levels of tenancy sustainment in smaller properties, occupied by smaller, younger households. The issue of tenancy sustainment is explored below under ‘landlord impacts’.

3.7 Universal Credit

The Welfare Reform Bill proposed a cap on the Universal Credit for those of working-age, which has now been voted through by the Welfare Reform Bill committee. The cap is planned to be set at the average wage, after-tax, with a proposed threshold of £350 per week or £18,200 a year for a single person and £500 per week or £26,000 a year for couples. Recipients of DLA and Attendance Allowance are excluded from the benefit cap.

The analysis of the SHS 1999-2008 dataset used these thresholds, from which down-rated benefit thresholds were developed for each year, taking account inflation using RPI. One other measure that will impact on benefit up-rating is the decision to use CPI rather than RPI in future.

Based on these income thresholds, just 0.2% tenants in housing association and co-op tenancies in Scotland would be affected (an estimated 560 households), with households with children most commonly affected.

The DWP impact assessment suggests that overall around 50,000 households (1% of the benefit caseload) will have their benefits reduced by the policy. Although the numbers impacted on are not large, the monies lost are substantial. The DWP analysis suggested that, on average, households will
lose around **£93 per week**. The median loss is around **£66 per week** since the mean is skewed by some households losing large amounts. Given the size of the income losses involved, and the fact that many of those affected have children, child poverty may worsen.

Based on the estimated 1% of caseload figure, an estimated 1,700 housing association/Co-op tenants would be affected by this measure. In Scotland in July 2010 there were 470,000 claimant households, with around 86,000 in the private rented sector. If we assume that HA/Co-ops make up a proportionate number of the remaining caseload (45% of 384,000) then 1% of the 172,800 caseload would be 1,700. This suggests that the 560 estimate from the SHS may be too low, which may reflect the under-reporting of some benefit income in the SHS data. However, the SHS result may indicate a lower prevalence of affected households in Scotland due to lower rents. More detailed information on the geography of impacts would be useful.

### 3.8 Changes to other benefits

#### 3.8.1 Working Tax Credit

There are a range of proposals to change Working Tax Credit and Child Tax Credit which might impact on housing association and co-op tenants from April 2011. These are:

- Most elements of WTC and CTC have been up-rated for 2011/12 by the Consumer Price Index (CPI).

- There has been an extra increase in child element of the CTC but the basic and 30-hour elements of WTC have been frozen for three years.

- From April 2011 the income disregard will reduce from £25,000 to £10,000. The upper income limit has also been reduced to £40,000 from £50,000.

- The withdrawal rate for tax credits where income exceeds the first income threshold will increase to 41% from 39%. There will be one flat rate of withdrawal for all credits, 41%.

- The additional £545 added to the basic family element for babies under one has been stopped.

- Those aged 60 and over will qualify for WTC if they work at least 16 hours per week (rather than 30 as currently required).

- From April 2011, the proportion of childcare costs covered by the childcare element of WTC will be reduced to 70%, from 80%. The maximum help receivable will be £122.50 for one child and £210 for two or more children.
From 2012, the eligibility threshold will change from the requirement that at least one partner works at least 16 hours a week to couples having to work at least 24 hours a week, with one partner working at least 16 hours.

A couple with two children, working more than 30 hours, earning the average wage of £25,000 a year, with childcare costs of £150 per week, would receive tax credits of around £8,738.80 in 2010-11, falling to £8,157.20 in 2011-12 (taking account of the rise in each child element by £180, the increase in reduction taper to 41%, the reduction in childcare costs from 80% to 70%, the freeze on basic working tax credit and 30-hour elements and an estimated Consumer Price Index of 3.1%) and £8,602.20 in 2012-13 taking account of the further rise in each child element of £110\(^{16}\).

The fall in income that this ‘example’ family faces in 2011-2012 is due to the decrease in childcare support and the increased taper which means tax credits are taken away faster as income rises. The income losses are partially offset by the increases in the child element of Child Tax Credit.

From April 2012, a couple with two children, where one adult works 22.5 hours and earns around £10,000, will receive £7,558 in 2010-11, £8,057 in 2011-12 and £6,035 in 2012-13. The family would lose working tax credit of around £2,500 from April 2012 because they no longer qualify for WCT as their combined working hours are less than 24 hours. This is, again, partly off-set by an increase in Child Tax Credit. This may be designed to encourage people to work longer hours but is likely to cause hardship if families are unable to increase their working hours in the short to medium term.

The overall impact of these changes on housing association and co-op tenants is difficult to assess, as different families will see a different impact depending on circumstances. However, the general thrust of the policy is to limit costs, and the example shows that a family with an ‘average’ income will see a loss in income. It is reasonable to expect that many of the 15% of housing association and co-op tenants receiving Working Tax Credit and the 12% receiving Child Tax Credit will be adversely affected.

### 3.8.2 Disability Living Allowance

The Welfare Reform Bill outlines a planned target of reducing the cost of disability benefits by 20% through greater ‘targeting’. The main mechanism for this targeting in an ‘objective assessment’ which will determine the level of care

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and mobility assistance an applicant needs. The Bill emphasises that the new Personal Independence Payment will be strongly positioned as an ‘in work’ benefit to encourage independence. The underlying message in the Bill is the intention for some current DLA recipients to become ineligible as a result of the new assessment.

Almost 18% of HA/Co-op tenants receive DLA for either care or mobility, so the impact of this measure is more significant than in other tenures. 15% of other social renters receive DLA while six per cent of households in other tenures do.

If we assume that the 20% ‘least needy’ tenants lose out in the new assessment process and fall out of eligibility that would be four per cent of all HA/Co-op tenants or an estimated 11,180 tenants. The impact is likely to be felt most keenly by tenants in adapted or purpose-built properties.

Glasgow City Council has estimated the loss to Glasgow DLA recipients as being an average of £753 per year, across 56,600 claimants in their impact assessment.

3.8.3 Incapacity Benefit and Employment and Support Allowance

The Work Capability Assessment (WCA) was introduced in October 2008 to assess entitlement to Employment and Support Allowance, as part of The Welfare Reform Act 2007. The assessment looks at physical and mental capabilities and how conditions affect the individual’s ability to work.

The WCA was reviewed by DWP in 2010 and suggested changes to the assessment, including the use of simpler language, the need to accommodate people awaiting chemotherapy, widen criteria for support based on mental function and to take account of how people adapt to their disability or health condition.

The proposed reforms to Employment and Support Allowance made as part of the February 2011 Welfare Reform Bill include the commitment to making the benefit ‘fairer’ and to ensure that help goes to ‘those with the greatest need’. The new assessment will see current Incapacity Benefit and Employment and Support Allowance Recipients separated into Work Related Activity’ and ‘Support’ groups and the length of time on contributory ESA will be limited to one year for those in the Work Related Activity Group. There is also the expectation that more people would be expected to be in the ‘Work Related Activity’ group as a result of the change in the overall assessment. Young

people who currently qualify for contributory ESA without having paid National Insurance contributions will no longer qualify.

The DWP estimate that the revised WCA is expected to increase the proportion assessed as fit for work by 5 percentage points and those assessed to be in the Support Group by 0.5 percentage points\(^\text{19}\). That assessment is based on 60,000 claims, so 26,400 are assessed as fit for work compared to 23,400. The 3,000 who are now deemed ready for work make up 11% of those who would have been assessed as eligible before. Applying this 11% rate of loss among current recipients would suggest that 11% of the 16% of HA/co-op tenants in receipt of Incapacity Benefit or Employment and Support Allowance would no longer be eligible, so around two per cent of HA/co-op tenants will lose out.

The impact assessment by the City of Glasgow Council put the average cost to claimants on ESA at £1,469 per claimant, across 29,000 Glasgow claimants.

### 3.9 The geography of the impacts

#### 3.9.1 How are local authorities affected?

As might be expected, more than 40% of all working-age housing association and co-op tenants live in Glasgow. As a landlord, the GHA will have most tenants affected, proportionate to its share of the overall housing association stock.

However, looking at the proportion of working-age tenants within different local authorities shows that the effect of welfare reform is likely to impact more in some areas, where there is a higher than average proportion of tenants of working age. Across Scotland, across the SHS data for 1999-2008, around 63% of all housing association and co-op tenants were of working age and about 62% of those on Housing Benefit were.

Looking down Table 2, we see a broad range of experiences, with a large proportion of Orkney, Shetland and Highland housing association tenants being of working age, compared with other areas. Urban areas with above average levels of working-age tenants include Inverclyde and Aberdeen while other urban areas have an average or just above average proportion of working age tenants. The proportion of tenants that are working is far lower in more accessible rural areas nearer to larger settlements – East Dunbartonshire, East Lothian, Perth and Kinross, East Renfrewshire, Aberdeenshire, Borders and Angus. Welfare reform should impact on landlords in these areas somewhat less, due to the older profile of their tenants.

Table 2 - The distribution of working-age tenants by LA (%)

<table>
<thead>
<tr>
<th>LA</th>
<th>% of tenants that are of working age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orkney</td>
<td>83.3%</td>
</tr>
<tr>
<td>Shetland</td>
<td>83.3%</td>
</tr>
<tr>
<td>Highland</td>
<td>72.4%</td>
</tr>
<tr>
<td>West Dunbartonshire</td>
<td>69.8%</td>
</tr>
<tr>
<td>East Ayrshire</td>
<td>69.7%</td>
</tr>
<tr>
<td>Inverclyde</td>
<td>68.9%</td>
</tr>
<tr>
<td>Aberdeen City</td>
<td>68.3%</td>
</tr>
<tr>
<td>Clackmannshire</td>
<td>67.5%</td>
</tr>
<tr>
<td>South Lanarkshire</td>
<td>67.2%</td>
</tr>
<tr>
<td>North Ayrshire</td>
<td>66.9%</td>
</tr>
<tr>
<td>North Lanarkshire</td>
<td>66.7%</td>
</tr>
<tr>
<td>Western Isles</td>
<td>65.5%</td>
</tr>
<tr>
<td>Fife</td>
<td>65.1%</td>
</tr>
<tr>
<td>Renfrewshire</td>
<td>64.7%</td>
</tr>
<tr>
<td>Glasgow City</td>
<td>64.2%</td>
</tr>
<tr>
<td>Stirling</td>
<td>63.0%</td>
</tr>
<tr>
<td>West Lothian</td>
<td>62.6%</td>
</tr>
<tr>
<td>South Ayrshire</td>
<td>62.2%</td>
</tr>
<tr>
<td>Argyll and Bute</td>
<td>62.1%</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>61.7%</td>
</tr>
<tr>
<td>Dundee City</td>
<td>61.7%</td>
</tr>
<tr>
<td>Midlothian</td>
<td>61.6%</td>
</tr>
<tr>
<td>Edinburgh City</td>
<td>60.0%</td>
</tr>
<tr>
<td>Moray</td>
<td>59.5%</td>
</tr>
<tr>
<td>Falkirk</td>
<td>58.1%</td>
</tr>
<tr>
<td>Angus</td>
<td>56.6%</td>
</tr>
<tr>
<td>Borders</td>
<td>55.7%</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>55.5%</td>
</tr>
<tr>
<td>East Renfrewshire</td>
<td>52.4%</td>
</tr>
<tr>
<td>Perth and Kinross</td>
<td>48.8%</td>
</tr>
<tr>
<td>East Lothian</td>
<td>47.5%</td>
</tr>
<tr>
<td>East Dunbartonshire</td>
<td>42.9%</td>
</tr>
</tbody>
</table>

Scotland 63.2%  

SHS 1999-2008 dataset - base= 11,221 cases

Table 3 shows the proportion of all housing association/co-op tenants that are of working-age compared with the proportion of those on Housing Benefit that are of working age, by whether the tenant lives in an urban or rural area. The Scottish Government rural/urban indicator is based on postcode and encompasses the size of the settlement and the proximity to a larger settlement.
Table 3 - The distribution of working-age tenants by urban/rural indicator (%)

<table>
<thead>
<tr>
<th>Urban/Rural Type</th>
<th>% of tenants that are of working age</th>
<th>% of tenants on HB that are of working age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large urban areas</td>
<td>63.6%</td>
<td>62.4%</td>
</tr>
<tr>
<td>Other urban areas</td>
<td>66.0%</td>
<td>64.8%</td>
</tr>
<tr>
<td>Accessible small towns</td>
<td>56.0%</td>
<td>54.1%</td>
</tr>
<tr>
<td>Remote small towns</td>
<td>61.6%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Accessible rural</td>
<td>54.0%</td>
<td>55.1%</td>
</tr>
<tr>
<td>Remote rural</td>
<td>65.5%</td>
<td>60.9%</td>
</tr>
<tr>
<td>All</td>
<td>63.3%</td>
<td>62.1%</td>
</tr>
</tbody>
</table>

Table 3 shows that the proportion of all housing association tenants of working age is greater in ‘other urban’ areas than in urban areas and smallest in accessible rural areas and accessible small towns. Remote rural areas also have a larger proportion of working-age tenants than might be expected, which may be explained by the lack of lower-cost home ownership options in these areas. So landlords in urban areas and remote rural areas are more likely to have tenants who will be affected by the reforms.

Looking at the proportion of tenants on Housing Benefit shows similar results, with 62% of all Housing Benefit recipients being of working age, with a greater proportion in ‘other urban’ and ‘large urban’ areas. In remote rural areas, however, there is a smaller proportion of Housing Benefit recipients of working age, compared with tenants overall. That means that in remote rural areas, working age tenants are more commonly in work than elsewhere, with a five per cent difference between all tenants and tenants on Housing Benefit, compared with a one or two per cent elsewhere.

This suggests that the proportion of tenants of working age in an area is a reasonable proxy for the overall level of impact a landlord might expect to see, with some allowance for rurality.

Table 4 shows the average weekly Housing Benefit award to RSL tenants by local authority, from DWP caseload data. The average award was £61.94 per week. If this gives an indication of a broad average ‘regional rent’ across the whole of Scotland, it is clear that the RSLs in some areas are receiving a far higher than average reward.

The level of award could be affected by the size of the property and whether partial or full Housing Benefit is paid so it is feasible that some differences between local authorities are explained by occupant and property characteristics. However, it is reasonable to assume that tenants in areas with very high average awards such as East Renfrewshire and Fife could potentially lose out most if Housing Benefit reflected a Scottish average ‘regional rent’ while tenants in Scottish Borders, Dumfries and Galloway and Eilean Siar...
should be least likely to be adversely affected by a regional rent-based Housing Credit.

Table 4 - HB caseload - average awards to RSLs by LA (£)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>RSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Renfrewshire</td>
<td>87.46</td>
</tr>
<tr>
<td>Fife</td>
<td>84.19</td>
</tr>
<tr>
<td>East Lothian</td>
<td>69.82</td>
</tr>
<tr>
<td>Edinburgh, City of</td>
<td>69.51</td>
</tr>
<tr>
<td>Renfrewshire</td>
<td>68.17</td>
</tr>
<tr>
<td>East Dunbartonshire</td>
<td>67.88</td>
</tr>
<tr>
<td>South Lanarkshire</td>
<td>67.73</td>
</tr>
<tr>
<td>South Ayrshire</td>
<td>66.37</td>
</tr>
<tr>
<td>East Ayrshire</td>
<td>65.27</td>
</tr>
<tr>
<td>Midlothian</td>
<td>64.43</td>
</tr>
<tr>
<td>Moray</td>
<td>63.77</td>
</tr>
<tr>
<td>Aberdeen City</td>
<td>63.50</td>
</tr>
<tr>
<td>Dundee City</td>
<td>63.39</td>
</tr>
<tr>
<td>West Lothian</td>
<td>62.89</td>
</tr>
<tr>
<td>Clackmannanshire</td>
<td>62.67</td>
</tr>
<tr>
<td>North Lanarkshire</td>
<td>62.63</td>
</tr>
<tr>
<td>Stirling</td>
<td>62.33</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>62.19</td>
</tr>
<tr>
<td><strong>Scottish average</strong></td>
<td><strong>61.94</strong></td>
</tr>
<tr>
<td>West Dunbartonshire</td>
<td>61.69</td>
</tr>
<tr>
<td>North Ayrshire</td>
<td>61.64</td>
</tr>
<tr>
<td>Angus</td>
<td>61.47</td>
</tr>
<tr>
<td>Perth and Kinross</td>
<td>61.19</td>
</tr>
<tr>
<td>Inverclyde</td>
<td>60.96</td>
</tr>
<tr>
<td>Falkirk</td>
<td>60.65</td>
</tr>
<tr>
<td>Highland</td>
<td>60.36</td>
</tr>
<tr>
<td>Glasgow City</td>
<td>59.80</td>
</tr>
<tr>
<td>Shetland Islands</td>
<td>59.35</td>
</tr>
<tr>
<td>Orkney Islands</td>
<td>56.51</td>
</tr>
<tr>
<td>Argyll and Bute</td>
<td>55.88</td>
</tr>
<tr>
<td>Eilean Siar</td>
<td>54.52</td>
</tr>
<tr>
<td>Dumfries and Galloway</td>
<td>54.16</td>
</tr>
<tr>
<td>Scottish Borders</td>
<td>54.07</td>
</tr>
</tbody>
</table>

Source - July 10 Housing Benefit Abstract, DWP
3.10 Indirect impacts

3.10.1 Private renting - wider impacts

The Scottish Government Assessment estimated that the cumulative impact on the private rented sector would affect an estimated 55,000 households by an average of £10 per week.

In addition, the longer-term impact of adjusting the age threshold for the Single Room Rate from those aged less than 25 years to those aged less than 35 years old would impact on 7,500 households.

The Scottish Government Assessment included a calculation of the average proportion of the private rented sector which would be affordable to HB claimants taking into account their bedroom of SRR entitlement. This ranges from a higher rate in some local authorities of 67% pre-reform and 50% post-reform to a lower rate of 40% pre-reform and 31% post reform.

3.10.2 Tenancy sustainment issues and rent arrears

The analysis above has provided some insights into the tenants who are most likely to be affected by benefit reform. The decisions that tenants make, faced with a short-fall between their rent and their Housing Credit, are likely to depend on the availability of smaller properties. The analysis here on under-occupancy and over-crowding suggests that the proportion of working-age households experiencing over-crowding is far lower than the proportion under-occupying and the availability of smaller properties is far outstripped by the need for them.

It is therefore feasible for some tenants to move in order to secure more fitting accommodation that is more affordable to them. The majority will not be able to do this and will need to finance the rent gap. The analysis above suggests that around five per cent of working age tenants on Housing Benefit are in deep financial trouble while 20% are in ‘some financial difficulties’ and 15% ‘don’t manage very well’. Of course, not all these combined 40% of working age tenants on Housing Benefit will be vulnerable to tenancy sustainment issues.

It seems fairest to assume that the five per cent of working age tenants on Housing Benefit who are in ‘deep financial trouble’ are those most likely to already be in arrears. If around 32% of working age tenants on Housing Benefit are under-occupying and 20% are in ‘some financial difficulties’ at the moment, these tenants may be the most likely to fall into arrears. That would be around

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six per cent of working age tenants or around four per cent of all housing association/co-op tenants. Adding the impact of the other measures to this - non-dependent deductions and the cap on Universal Credit might increase this to five per cent.

A conservative estimate of the potential impact on rent arrears would be that an additional five per cent of HA/co-op tenants might fall into rent arrears. This is conservative, as it does not include the possible knock-on effects of changes to other benefits. This is because these are likely to affect those people already affected by Housing Benefit reforms and would lead to double-counting.

Based on 2009-10 data, on average, current tenants non-technical rent arrears account for 5% of net rental income and 4.6% of tenants owe more than 13 weeks rent. Of course, five per cent more tenants falling into arrears do not equate to a further five per cent of arrears cases at this level. However, there will be additional housing management resources needed to manage these cases to limit the level of arrears. Research by GHA suggests that rent arrears affects more tenants - around 30% - albeit with some very small amounts. By this benchmark, an increase in rent arrears by 5% represents an increase in caseload of about one-sixth. For example, for an arrears management team of three people, the additional arrears workload might require an additional half a person.

If the promises of the new system are to be believed, the time currently spent chasing changes of circumstance information for those moving in and out of work or on and off other benefits can be used in chasing smaller arrears. However, in the short term the time savings of the reduced complexity of the system cannot be assumed as a benefit.

Eviction rates are very low in the housing association sector, with around 0.3% to 0.5% of tenancies ending in vacant possession between 2006-07 and 2009-10. That is around 1,000-1,500 tenancies. The main reason for eviction proceeding is, however, non-payment of rent. If the 5% increase in arrears is

21 Table A4b Current tenant net arrears by Peer Group in http://www.scottishhousingregulator.gov.uk/stellent/groups/public/documents/webpages/shr_statisticstables2009-10.hcsp#TopOfPage

22 ‘Rent First’? - understanding and responding to rent arrears, GHA - unpublished (contact Geralyn Lewis - Geralyn.Lewis@gha.org.uk)

23 Table A10b (summary) Eviction actions by Council area in http://www.scottishhousingregulator.gov.uk/stellent/groups/public/documents/webpages/shr_statisticstables2009-10.hcsp#TopOfPage
translated into a 5% increase in evictions, this would increase by around 50-75 tenancies.

3.10.3 **Perverse incentives - non-dependents v underoccupancy**

The rise in non-dependent deductions may encourage some older non-dependents to decide to leave the family home, putting further pressure on the mainstream and homeless waiting lists. This might arise as a result of parental pressure to contribute towards the widening rent gap. However, some households will be left with the further issue of under-occupancy if the non-dependent leaves.

The research quoted earlier on non-dependent deductions, however, suggests that ‘host’ households commonly do not make the connection between ‘dig money’ and the non-dependent deduction, so may absorb the rent gap from their income.

Where there is insufficient supply of smaller properties and where the main reason for homeless presentation is being asked to leave the parental home, it is unhelpful that the increase in non-dependent deductions appears at first sight to offer a perverse incentive to young unemployed people to leave the parental home.

Welfare Rights and Housing Options discussions are likely to be complex in future since ‘host’ households may stand to save around £40 a week from the non-dependent leaving but lose the same amount by under-occupying. Similarly, the young person may no longer be under the financial pressure to pay the £40 a month non-dependent deduction, believing themselves to now be fully eligible for Housing Benefit. However, because of the lack of one-bedroom properties the young person may need to balance out a longer wait for a one-bedroom property against the cost of under-occupying a larger property.

The prospect of paying around £40 a month for an extra room may encourage young people to consider becoming sharing private renters instead. This is an area of housing options that is likely to become more important in future if the under-occupancy requirement legislation is passed.

3.10.4 **Housing allocations**

As noted above, we should expect to see average re-let times for properties increase from the current average of 33 days across the sector\(^{24}\). Many non-working single people and couples will hope to initially secure a one-bedroom property to ensure that their Housing Credit will fully finance their rent. An

The impact of proposed Welfare Reform on HA/Co-op tenants

under-occupancy rent gap of between £9 and £11 a week for an additional bedroom is likely to impact on affordability enough to slow down the housing allocation process as some tenants refuse offers or do not bid for larger properties than they need.

The slowing down of allocations may have the consequence of discouraging some young people from leaving the parental home but we would also expect that the slowing down of the allocations process will have a knock-on effect on the length of time homeless households spend in temporary accommodation and living with friends in less settled accommodation.

Some young, single people may decide to opt for a larger property than they need because they are not able to wait for a less expensive, smaller property. These tenants would be a key group needing additional ‘pre-emptive’ arrears management support.

3.10.5 Other evidence on homelessness impacts

Private renting

The Scottish Government impact assessment suggests that the private rented sector will be a source of additional homeless presentations due to the loss of the £15 excess and the move to the 30th percentile from the median as the threshold for the Local Housing Allowance. That is an estimated 3,000 additional homeless assessments. These households are spread through local authorities on the basis that in areas (such as North Ayrshire and Inverclyde) where housing benefit recipients are a high proportion of private lets, landlords will be more likely to reduce rents, so the impact is reduced. In areas such as Aberdeen and Edinburgh where Housing Benefit is a low proportion of the total, a relatively high proportion of HB tenants will be likely to need to move (See Table 4 from the Impact Assessment, copied below).

There is also the impact of changes in the private sector on the ability of the sector to be part of homelessness prevention activity. Scottish Government modelling projections approaching 2012 were based on the assumption that 31% of the 5% per year reduction in homeless presentations would be achieved through potentially homeless households securing private rented accommodation. The overall reductions now likely have been revised down to between 4.2% and 4.5%.

The private rented sector was also modelled to provide an upper limit of 10% of the housing that homeless households might access after presentation. That

‘capacity’ figure has also been revised downwards now, to an upper limit of between 5% and 7%.

The combined effect of these measures is that the social rented sector will have a greater role than envisaged in meeting the 2012 target through prevention activity and the provision of secure accommodation.

Scottish Government analysis also suggests some considerable variation in the availability of shared accommodation for use by people aged less than 35 years old who will be subject to Single Room Rate restrictions in future\(^\text{26}\).

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Social Renting

A further consideration for homelessness is the extent to which welfare reforms contribute to homelessness through social tenants’ inability to afford their housing. Although the estimates above suggest that we might expect a 5% increase in rent arrears and evictions among housing association tenants, this might have a small absolute impact, of around 50-75 evictions per year. Tenancy terminations data will provide more indication of how the measures may be affecting tenancy sustainment. Many younger tenants may decide to flat-share instead, or return to the parental home, so ending a tenancy without eviction.

The most recent HL1 data shows that 47% of those aged under 25 years old who present as homeless were living with parents before presenting and were asked to leave or left after a non-violent dispute\(^27\). The likely impact on homelessness presentations like this of the interaction of non-dependent deductions and under-occupancy is difficult to predict.

If parents understand the implications of forcing their son or daughter to leave, they are possibly more unlikely to do so in the event of a dispute about finances. It is feasible that they may not understand the implications of their son or daughter presenting as homeless, with the worst case scenario being the son or daughter moving out to present as homeless and then their parent also presenting as homeless because they are unable to afford their rent. Housing Options teams will need to provide information to tenants to prevent this happening.

We might expect to see some initial ‘churn’ in the social rented stock where there are alternatives available. This is less likely to happen in areas where there is considerable pressure on social and private housing demand.

\(^{27}\) Prior circumstances by summary reason for homelessness for households assessed as homeless in 2009-10; by age band;
4 Case studies

4.1 Case studies

SFHA have asked landlords for ‘case study’ examples of what the impact of the proposed benefit changes might be for their tenants and themselves. The examples provided here include analyses that associations themselves have completed, as well as ‘real life’ examples of how some of their tenants might be impacted. There are also some reflections on how the proposed changes might impact upon staff.

4.1.1 Estimated impacts

Glasgow Housing Association (over 50,000 tenants)
- 7% of all tenants will be impacted by the changes to non-dependent deductions (3500 tenants)
- 13% of tenants will be impacted by the under-occupation provisions (6,500 tenants).
- It is estimated that the proposed HB reforms will impact upon between 11% and 21.5% of tenants overall (5500-10,750 tenants).
- That estimate is within the same range of the ‘up to 1 in 5’ potential tenants affected overall across the sector.

Link Housing Association has over 6,000 tenants based over Central Scotland
- Based on a 15% random sample approximately 23% of Link tenants on HB are under occupying properties (1380 tenants if applied to overall figure)
- 83% of those under occupying in the random sample require two apartment properties (1145 tenants).
- 12% of Link properties, where the tenant is in receipt of HB, have non-dependants (720 tenants)

Port of Leith Housing Association (based in Edinburgh)
- 52% of rental income comes from Housing Benefit and 53% of tenants are on full Housing Benefit (where Housing Benefit pays in full for the rent).
- 16% of tenants are on partial housing benefit, where part of the rent is paid depending on income/ circumstances. There will undoubtedly be an impact of higher rent arrears following the proposed changes.
● The Association knows of 220 non-dependents across 172 tenancies - but these are only those that have been declared on their database and there may be others.

4.1.2 Underoccupancy

Albyn Housing Society commented that they expected a reasonably high level of under-occupation for a number of reasons -

● Albyn house single adults with occasional overnight access to their children in properties with 2 bedrooms

● They have a number of older schemes (1970/80s) in particular where family circumstances have changed naturally since allocation.

● Smaller properties are not always available - Albyn may not have built them as a deliberate plan to provide long-term housing flexibility for households in areas of limited housing choices and availability - this is especially the case in rural areas, in which Albyn have a large proportion of the stock, where they need to be able to meet changing household needs within a limited housing supply.

● Supply and demand pressures - the shared Highland Housing Register allocations policy deliberately permits the allocation of 2 bedroom properties to single people in high pressure areas. This is because smaller 1 bedroom properties are not readily available, in either the private or social sectors.

● Only 26% of working age tenants occupy 1-bedroom properties where initial analysis by Albyn shows that at least 58% of working age households ‘need’ a 1-bedroom property according to the bedroom standard. This only includes people in 2-bedroom properties who should be in 1-bedroom property by the under-occupancy standard.

● As a result of all the above, our levels of under-occupation sit between 25% and 50% of our total stock, across all areas. Allowing for around half of tenants being on Housing Benefit, that would be between 12.5% and 25% affected by the policy change

Hillhead Housing Association (near Glasgow) have a policy that children get a bedroom each at the age of 8 for families with children of different sexes and 14 years old for the same sex. In the case of same-sex sharing, this recognises that children preparing for exams need space to study. In the case of mixed sex, it recognises that some children are getting sexually mature at an earlier age.

A youth service representative in Glasgow has expressed concern to staff at Cassiltoun Housing Association that the association’s policy of allowing teenage children their own room supported the work of youth services by ensuring that
young adults have space to bring friends round. The absence of this space would, in her view, lead to more pressure for youth services in the area and (potentially) more youth disorder.

4.1.3 Multiple losses

Cassiltoun Housing Association (based in Glasgow). A woman was allocated a 4 bedroom home due to family size. The children have now grown up, with two moving out. This leaves one adult son. The woman was working in retail but has lost her job and is now on Job Seekers Allowance (JSA). The son was working in the building trade but also lost his job and is now on JSA. Her income on JSA (from April) is £67.50. If the new regulations are applied you have the potential for deductions of:

- £12.00 under occupancy charge (based on the difference between a 4 bedroom and a 2 bedroom property in Cassiltoun HA stock)
- £10.20 Housing Benefit overpayment,
- £3.40 arrears direct for a rent arrear (which she is currently paying off)
- £9.40 for a non-dependant charge.

This leaves her £32.50 a week to live on and equates to her spending 52% of her income on housing costs.

4.1.4 Direct Payments

Melville Housing Association (based in Lothian)

Melville provided some examples, illustrating some of the impacts on vulnerable tenants and tenants who may be recovering from addiction. These examples illustrate the diverse client base that housing associations and co-operatives deal with, and the reality of how the proposed changes may serve to exacerbate existing issues.

- **Example 1** Single woman with solvent misuse issues. Income of Employment and Support Allowance (£65.45 per week). If her Housing Benefit of £53 were to be added to her Universal Credit, paid directly to her and payments made 4 weekly, her history shows that her tenancy would be immediately at risk and her health even more badly affected.

- **Example 2** Family consisting of a couple and two children. The husband has a gambling addiction. Part of income is paid to him and part to his wife who then has some income to pay bills and feed the family. They have no bank account as they were declared bankrupt. Again there is a risk to the tenancy if the Housing Benefit is added to the Universal Credit. Also further potential problems depending on who has to receive the Universal Credit.
Glasgow Housing Association rent arrears research

- Significant progress has been made on reducing rent arrears since May 2008, with a reduction in arrears approaching £3mn by November 2010. This performance has been sustained over recent periods, with a 6% decrease in tenants in arrears between period 4 and period 8 of 2010.

- GHA commissioned research on rent arrears to examine who is vulnerable to rent arrears and to explore tenants and staff experiences. The research identified those most at risk and also identified different types of arrears behaviour or customer types.

- Working tenants and previously homeless tenants are most vulnerable to arrears, though different strategies are likely to be needed for these groups. It is likely that to this group we must add people who have non-dependents and those under-occupying their property, in future.

- Research with tenants in Glasgow in rent arrears shows the difficulties which the housing benefit reforms, including Direct Payment to tenants and monthly payments to tenants might cause. The research found that customers tend to fit into one of a series of ‘types’:

  **Ostrich customers** - who avoid contact and ignore letters. Tenants usually start their arrears ‘journey’ at this point but some take far longer than others to engage. Landlords will need to be proactive about identifying those whose Housing Credit will not pay their full rent. This will depend on robust, timely information being provided to landlords from the DWP.

  **Vulnerable tenants** - these tenants may often show ostrich behaviour initially. Their arrears are often due to the failure to deal with Housing Benefit. We know that even when all tenants have to do is fill in forms or provide evidence, they do not and this can lead to arrears. If these tenants are also required to arrange the rent payment, there is scope for further arrears.

  **Family crisis** - unemployment, the death of a household member or relationship-breakdown leads to erratic payments in previously good payers. After the initial crisis, the tenant may become an ongoing erratic payer, due to the decrease in income. These circumstances will be made worse if the household is under-occupying the property.

  **Erratic payers** - these tenants sometimes pay all their rent, sometimes pay late and sometimes pay some or no rent, depending on other commitments. They have difficulty budgeting. The Direct Payment of Housing Benefit to tenants will inevitably increase the volume of erratic payers by including non-working households alongside the low-income working households who struggle to pay rent. Erratic payers often lose their way at Christmas or Summer holidays and take time to recover.

  **Can pay, won’t pay** - some tenants will not pay, although evidence suggests they should be able to. Staff may see these as typical ‘Plasma TV’ arrears
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35 cases. Paying Housing Credit to tenants will inevitably produce some more tenants who fit this category.

**Late payers** - these tenants pay at the last minute, in arrears. Occasionally, they may become more erratic payers. Although always tending to pay, staff time is still required to encourage or chase payments.

*Deal breakers* - these are tenants who have had arrangements which they are not meeting. They may have been erratic payers in the past but have progressed to more entrenched, persistent, non-payment behaviour. These are the tenants who will eventually be evicted for non-payment. Sometimes a court appearance may be sobering and encourage a step towards becoming a payer, albeit an erratic one.

**Payers** - it is also important to note that most tenants in arrears are contributing towards an arrangement.

- Customers ‘move’ between types and that is why early, proactive intervention by staff can coax a ‘vulnerable ostrich’ towards being a ‘payer’. Ongoing contact and intervention can also prevent erratic payers or late payers from sliding towards deal breaking or ‘can pay, won’t pay’ behaviour.
- People-centred approaches used by GHA staff involve using income and expenditure assessments, tailoring realistic and affordable repayment plans and developing advance payment plans to ‘cushion’ against future. These approaches may be more difficult to sustain with monthly payments, since they often involve ‘micro’ managing money with weekly rent payments and arrears payments.

4.1.5 **Financial hardship for tenants**

**Albyn Housing Society** (based in the Highlands)

- Operate in a largely rural area across the north of Scotland. Average income levels are already below national averages, employment opportunities are restricted and the cost of living is high.
- Over 12,000 people are on their waiting lists, and there are high levels of homelessness relative to available stock.
- Existing tenants face high costs of living and very high levels of fuel poverty relative to other parts of Scotland and the U.K.
- The proposals will simply add to the existing pressures and place additional financial hardship on tenants who already struggle within the existing system.

**Port of Leith Housing Association** fears that more tenants may see bankruptcy (via the sequestration process) as their only option. Others may choose to abandon their tenancy. Both are costly for the Association.
Almond Housing Association (based in Livingston)

- Almond provided the following example: A single male aged 20 who has not been able to work for 12 months. He brings in £51.85 a week.
- The 10% cut to Housing Benefit for those claiming JSA for a year means that he will have to find an additional £5 per week to pay the rent - which is £20 - £25 per month.
- Thankfully, the decision to remove this aspect of the proposed reforms to Housing Benefit means this man will not be penalised for being on JSA for more than a year. He may face further benefit losses as part of the stricter system of conditions and sanctions, however.

4.1.6 Tenant responses

- **Albyn Housing Society** has taken a preliminary look at the private rented market which would suggest that a couple moving to a 1-bedroom private sector let and receiving full Housing Benefit would cost more (in terms of Housing Benefit) than allowing the same household to continue to occupy a 2 or 3 bed housing association property.
- However, the private rented market is very restricted in Albyn’s area of operation and demand for social housing extremely pressured so the prospect of people moving to appropriate housing is very limited. Representatives at Albany HA believe it more likely that tenants will continue to live in the same house with reduced benefits, with increasing prospects of debts and potential homelessness as a result.

4.1.7 Staffing impacts

- Port of Leith Housing Association has identified a likely need for additional resources - both from Housing Officers and their Money Advice Worker. Port of Leith has increased the time available for money advice from 17.5 hours to 25 hours per week.
5 Policy recommendations

5.1 Recognising the limitations of housing supply

The chronic under-supply of one-bedroom properties is a serious structural problem for the stock, particularly in rural areas. Smaller households will suffer financial hardship due to under-occupancy where there is no alternative stock available. DWP need to consider how the under-occupancy rule can operate where no alternative supply is available.

It is widely accepted that in the longer-term the main solution to controlling prices in social housing (so reducing Housing Benefit costs) is through increased supply. This is likely to be constrained in the short to medium term so it is important that the Westminster Government does not undermine efforts to maintain investment in Scotland.

5.2 Providing the financial stability to enable social landlords to increase supply

Increasingly, the growth in investment in affordable house-building has been facilitated through the increased use of private finance. The attraction of investing in not-for-profit housing is the stable return on that investment, due to the general stability of the income flow. On the one hand, income is guaranteed through Housing Benefit and risk is mitigated through a strong regulatory environment. The Scottish Housing Regulator monitors the financial performance of the sector through APSR on arrears, voids and letting times.

The prospect of the Direct Payment of rent costs as part of Universal Credit directly to the tenant rather than the landlord has caused a great deal of concern. The Council of Mortgage Lenders has appealed to DWP to reconsider the proposals.

In the Joseph Rowntree Submission to the 21st Century Welfare Consultation Professor Kenneth Gibb, that “if the long term goal is to move to a much simpler universal type allowance with an embedded housing allowance within it.....then the shift from one system to the new one has to be managed and the transition made acceptable to all parties.......Housing Benefit on this scale directly affects the poorest in society but also the very bodies whose purpose is to provide aid
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and support to those people. It the outcome of reform is to make private finance even less accessible [for housing investment] it will be self defeating.²²⁸

The DWP should maintain the provision that tenants are able to have their Housing Credit paid direct to their landlord. This limits the level of arrears to any short-fall between the rent and Housing Credit.

5.3 Supporting rent retrieval activity

The issue of how landlords deal with tenants who are in rent arrears is also important. Even if rent payments are made directly to the landlord, having good quality information from DWP about whose Housing Credit falls short of their rent will enable landlords to adopt proactive rent arrears actions. Landlords will be able to identify the tenants in risk of arrears and offer them greater support.

There will need to be very good communication about Direct Payments to enable landlords to take prompt action with tenants on rent arrears. Ideally, this needs to be an electronic database providing landlords with information on all the Direct Payments made, highlighting changes of circumstance. This would enable the landlord to identify any payment gaps promptly.

The GHA research on arrears suggested that the best outcome for tenants with rent arrears is when the arrears situation is addressed early. For many tenants, this involves quite active monitoring and regular contact with their housing officer.

The communication with tenants regarding Housing Credit also needs to be very clear and robust so that tenants are promptly aware of the need to top-up their rent if the housing element of their Universal Credit changes.

To ensure that rent arrears do not lead to eviction, the landlord will need to have some alternative means of recouping rent. For example, if a tenant is in rent arrears for two consecutive months, the landlord should then be able to arrest the Housing Credit element of the Universal Credit for future rent payments.

5.4 Reducing undesirable impacts

There is a need to support parenting/access arrangements by excluding those with absent children from the under-occupancy rules. The estimates presented in the report suggests that allowing an absent parent with access rights to children an additional bedroom without incurring an under-occupancy deduction would have a marginal financial affect. This puts social renting parents under the age of 35 years old on a different footing from private renters. However, we

²²⁸ Professor Kenneth Gibb, Joseph Rowntree Foundation's response to 21st Century Welfare, pp30-31
would argue that the provision for access arrangements should be an exemption to the PRS proposals also.

At the moment, the shared accommodation allowance for the under 35s does not apply to the social rented sector. However, there are some concerns that it may apply in future, which might further undermine tenant's custody arrangements. There needs to be recognition from the outset that where a single person has access to children, the welfare system should not undermine that.

DWP should also consider the educational impact of the measures, for teenage children. Recent coalition policy has shifted emphasis from welfare payments to the ‘fairness premium' and the ‘pupil premium' to encourage better attainment among less well-off children. This is achieved from targeting resources to the communities most in need. It is arguable that allowing social renters an additional room for teenage children would support the ethos of the ‘fairness' agenda.

Concerns have also been raised by some youth centres that young people may feel they have no space of their own if forced to share with a much younger sibling. This may put youth services under increased pressure and may contribute to youth disorder.

Allowing an additional bedroom for absent parents with access rights and for teenage children approaching Standard Grades and in need or more personal/social space would have a marginal impact on the Housing Benefit savings.

The proposed change to eligibility for Educational Maintenance Allowance is another area that might impact on housing association and co-op tenants. However, insufficient detail is available about that policy at the moment to determine the extent to which tenants might be affected.

5.5 **Understanding cumulative effects**

The proposed changes to Universal Credit and the proposed amendments to the Disability Living Allowance might interact together, alongside Housing Benefit reform. This will impact on HA/Co-op tenants more than other groups due to the proportion of the stock that is specialist provision.

At the moment, the Housing Benefit and Welfare Reform proposals include exceptions based on the receipt of disability benefits. This means that Disability Living Allowance and Attendance Allowance are excluded from the calculation of Universal Credit for the benefit cap and people in receipt of key disability

http://education.gov.uk/inthenews/inthenews/a0065389/nick-clegg-announces-7-billion-fairness-premium-for-disadvantaged-children
benefits are excluded from non-dependent deductions and are also allowed an additional bedroom (avoiding the under-occupancy rule). Replacing DLA with a ‘more targeted’ Personal Independence Payment is likely to lead to some tenants no longer being eligible for this benefit. Not only will this reduce incomes through loss of this benefit, it will also make disabled tenants liable for other benefit controls.

DWP needs to develop overall impact assessments, taking the cumulative effect of different measures into account. Those losing DLA will potentially lose out further by becoming eligible for non-dependent deductions and the cap on Universal Credit. Their carers might also lose associated carer benefits. DWP also needs to be clearer about ‘transitional’ arrangements for those who will lose significant amounts of benefit.

5.6 Consulting on localised benefits

From April 2013, Council Tax Benefit will be replaced with grants to local authorities, with local criteria for payments. The intention is to save £0.5bn a year by 2014/15. Analysis by the Institute of Fiscal Studies suggests that grant levels will be 10% lower and likely to hit poorer households hard. They also suggest that some councils may decide to reduce the benefits to such an extent as to encourage low-income people to move out of their area.

A further area of concern is the extent to which, if the withdrawal rate or ‘taper’ of Council Tax Benefit is separate from the taper in Universal Credit, the Council Tax Benefit taper might undermine the operation of the overall incentive structure of Universal Credit.

The ineffective operation of the current Social Fund is a major impediment to tenancy sustainment across social housing at the moment. One of the main priorities for homeless people when they are allocated a permanent tenancy is being able to build ‘a home’ with furniture and white goods. The delays in applications for Community Care Grants cause considerable stress and can contribute to rent arrears, as tenants need to take up a tenancy but have no means of occupying the tenancy without furniture or home-ware. Support providers indicate that homeless households have nothing to build a home with in most cases.

The ‘local’ element of the policy change should be welcomed as it allows local providers within Social Work/Housing Support services the scope to plan and budget for some more innovative provision e.g. short-term lending of emergency items (e.g. blow-up beds & two-ring cookers) until grants/loans are made.


31 Scottish Housing Regulator Research on Homeless Priorities, Anna Evans and Mandy Littlewood, Scottish Housing Regulator, forthcoming
However, the level of funding is a concern, as the proportion of vulnerable homeless households grows.

Crisis Loans are an important element of the Social Fund, payable when there is an error or delay in paying benefits. It seems illogical to have Crisis Loans administered locally by local authorities if they are dealing with delays and errors in Universal Credit. Local authorities should be very nervous of taking on such a responsibility when the potential for errors in the transition period to Universal Credit are huge.

More information is needed about the proposals for the localisation of Council Tax Benefit and the Social Fund. DWP also needs to consider the pace of this change alongside the main changes to Universal Credit. Housing providers need the opportunity to consider the options put forward and to suggest their own options for how and whether localisation should happen. There also needs to be more discussion of how the transition between the two systems is to be managed to limit financial hardship for tenants.

5.7 Rethinking Universal Credit structures

The proposal to pay Universal Credit on a monthly basis also needs some further consideration. Although the current benefit system is administratively cumbersome, it provides a more steady income stream for many. You are able to opt for weekly and 2-weekly benefit payments at the moment, which can make budgeting far easier when on a very low income. Budgeting over a month is likely to pose a significant problem for many households, including those with mental health issues and alcohol or substance misuse issues.

The GHA rent arrears study found that managing arrears payment plans might involve taking weekly rent payments to allow vulnerable tenants in particular to budget more effectively. In fact, there were still many lower-paid working tenants who were paid on a weekly basis and paid their rent on a weekly basis because of this.

The GHA research found that working tenants not eligible for Housing Benefit, younger tenants and homeless households are more vulnerable to rent arrears. Those on Housing Benefit can also get into arrears. The most common reasons for getting into arrears while on Housing Benefit are due to changes in circumstances when moving into and out of work, delays/complications in applying for housing benefit and also delays in the receipt of Community Care Grants. Some tenants find it very difficult to apply for Housing Benefit or provide the evidence required. This gives a strong indication that all might not go well for some vulnerable tenants they are expected to pay rents themselves.

The benefit of the new Universal Credit should be to reduce the need to continually update DWP about changes of circumstances and re-provide evidence. However, any administration within the system that relies on the
tenant rather than the landlord is bound to offer scope for delay, confusion or misunderstanding.

The on-line Universal Credit application process is likely to pose difficulties for many tenants, including older tenants or more vulnerable tenants with learning difficulties or mental health issues. This will need additional support in place locally, with the provision of Internet Access and support.

There should be consultation with housing providers about who are the most vulnerable tenants most at risk of rent arrears from Direct Payments. These are likely to be; those with drug/alcohol dependency issues, young tenants aged 16-19, tenants with mental health issues and some elderly tenants.

5.8 Encouraging better use of the housing stock

Housing supply is a major impediment in Scotland, with far too few one-bedroom properties available. Landlords’ business plans need to respond to the lack of one-bedroom properties, but may not be in a position to do so, given the current funding framework. In the short to medium term, certainly, the existing stock needs to be better used as far as possible.

Some landlords offer schemes to encourage tenants to downsize, through paying for removal costs and decorating costs. This approach might be one that landlords might consider useful to encourage older tenants to move to more affordable, manageable properties. It may also become more attractive for tenants who may be affected by the under-occupancy rules.

Homeless and mainstream waiting lists include many young, single people who might need to wait longer for a one-bedroom property or face financial hardship. As part of a ‘housing options’ approach, landlords may need to encourage prospective young tenants to weigh up their choices, to consider staying with parents for longer or sharing private rented accommodation. A clear discussion of the affordability of renting and the constraints of the Housing Benefit system need to be part of a housing options approach.

Since older households will not be penalised for under-occupancy, it makes more sense to encourage older single people or couples to trade down to two-bedroom, rather than one-bedroom properties. This ensures that the smallest properties are used by those who will suffer financially from under-occupancy.

5.9 Widening Housing Options

More options and more information

The contraction of the available private rented sector will affect the scope of prevention activity, with potentially more need to look at mediation and other ‘staying put’ options with young, single people who are potentially homeless. There may also need to be more consideration of wider options for younger
people as waiting times and rent affordability become more of an issue. Might young people consider private rented flat-sharing if housing providers could facilitate this?

**Employment/wider role**

Many of the tenants who have left temporary accommodation for mainstream tenancies are vulnerable; at risk of having tenancy sustainment problems due to problems setting up a home, managing money, maintaining control over the front door. It may be that different types of tenancy might be more suitable for these tenants, including furnished tenancies, shared supported accommodation with warden-style support or ‘foyer’ style accommodation linked to training and personal development.

The final report on the Cross Sector Supported Accommodation Working Group\(^{32}\) concluded that RSLs have an important contribution to make in the expansion of supported accommodation for those at risk of homelessness in Scotland, working strategically with local authorities.

The report recommended that funding similar to Wider Role be maintained or developed as an important driver in this process. There was also an identified need to lever non-government funding based on models such as ‘Inspiring Scotland’.

Employability support is recognised as part of the core service offered in supported accommodation and floating tenancy support. This includes the participation and involvement of service users and the development of employability skills. However, the future Housing Benefit status of currently exempt and excluded accommodation may impact on the viability of that option.

The Income-Related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2009, came into force on 1 April 2010. These regulations cap the level of Housing Benefit paid to claimants in certain types of temporary accommodation provided by a local authority (mainly B&B and higher-rental PRS).

Further legislative changes related to housing benefit subsidy caps will also apply to temporary homeless accommodation supplied by RSLs from 1 April 2011. This will contribute to Housing Benefit savings. It will also have an impact on rent setting in HA/Co-op temporary accommodation and possibly the availability of accommodation of this type within the sector.

\(^{32}\) [http://www.scotland.gov.uk/Publications/2011/03/11154221/1#a1](http://www.scotland.gov.uk/Publications/2011/03/11154221/1#a1)
Other options

Other housing options might be to develop some mid-market rent products in areas where there is insufficient private rented housing to offer smaller alternatives to social renting or for flat-sharing opportunities for younger tenants. This might involve some work on empty homes or renovation/sub-dividing larger properties.

Landlords need to balance up the costs and funding options of developing some more innovative housing options against the management costs of housing vulnerable people in mainstream stock.

Little is known about how regional rents will be used to determine the Housing Credit for households of different sizes. Landlords in areas where there is a severe mismatch between 1- and 2-bedroom properties might wish to consider increasing the rent in 1-bedroom properties and reducing the rent in 2-bedroom properties to reflect the relative demand and supply. Considering these options is only likely to be possible once the actual rent differentials in the Housing Credit are known.

There is no information yet about how the ‘regional rents’ will be used to decide how much Housing Benefit under-occupying tenants will forfeit for an extra room. DWP needs to provide this information to allow landlords to plan for the future.
BRIEFING

SUBJECT: WELFARE REFORM BILL – IMPLICATIONS FOR SCOTLAND

1 Who We Are

1.1 The Scottish Federation of Housing Associations (SFHA) is the national representative body for housing associations and co-operatives in Scotland.

1.2 Housing associations and housing co-operatives in Scotland own and manage 46% of the country’s affordable rented housing stock. This represents around 272,401 homes across Scotland, concentrated in some of the poorest communities in our country. Approximately 60% of social housing tenants in Scotland receive either full or partial Housing Benefit to help pay their rent.1

1.3 This briefing focuses upon the SFHA’s principle areas of concern about the Welfare Reform Bill which has already reached the Grand Committee of the House of Lords, and for which the Scottish Parliament will duly require to consider and debate a Legislative Consent Motion in the coming weeks2.

1.4 SFHA is a member of the Scottish Campaign on Welfare Reform. In addition to noting our own specific concerns on Housing Benefit, we would urge you to read their briefing which notes other high level concerns – which we share – about the Bill as it is currently drafted.

2 Summary

The following briefing is being issued to all MSPs in advance of the Scottish Parliament debate on Welfare Reform, taking place on Wednesday 5th October 2011. It details the implications for Scotland of key aspects of the Coalition Government’s proposed welfare reforms, and highlights the potentially damaging aspects for Scotland’s tenants, as well as housing associations and co-operatives.

2.1 In summary, this briefing outlines:

- Our opposition to the under-occupation penalty that is being introduced through both clauses 11 (housing costs element of Universal Credit) and 68 (Housing Benefit).

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2 A Legislative Consent Memorandum was laid before the Scottish Parliament in March 2011 - http://www.scottish.parliament.uk/business/legConMem/LCM-2010-2011/WelfareReformBill2-lcm.pdf
• Our opposition to any break in the relationship between housing costs subsidy and actual rents, which could be introduced via secondary legislation related to clauses 11 and/or 68.
• Our concerns about the overall benefits cap in relation to housing costs (clauses 93 & 94).
• Our call for direct payment of the housing costs element of Universal Credit to social landlords where the tenant chooses or where there are rent arrears and the landlord wishes to receive direct payment.
• Our concern about the new provision which was introduced into clause 102 at the Commons Report Stage regarding deduction of Housing Benefit (and other benefit) overpayments from earnings.
• Our welcome of the UK Government’s confirmation within clause 43 that they will use the affirmative resolution procedure to agree the forthcoming secondary legislation relating to specific elements of the Bill, including clause 11 on housing costs.

3 Under-occupation Penalty

3.1 Clause 68 is the means by which the Secretary of State will introduce a restriction on the Housing Benefit paid to tenants who occupy a larger property than it is deemed they require, in an attempt to encourage them to move to a smaller property. Clause 11 is intended to achieve the same for the housing costs element of Universal Credit.

3.2 The potential impact of imposing this penalty was discussed in detail during the Committee stage in the Commons, in respect of both clauses. The Minister clarified that the purpose of the measure is not to force people to move but to encourage claimants to take responsibility for their financial decisions. SFHA contends that this is neither reasonable nor practical and, indeed, is unworkable in the social rented sector, where tenants’ options are severely constrained. We contend the actual consequences will be (a) spiralling rent arrears, as households struggle to make up the rental shortfall from already tight resources and ultimately (b) increased homelessness.

3.3 We also have evidence that, even where there is suitable accommodation available for those under occupying in the social sector to move to, if it’s in the private sector, it may actually cost the Government more not less. This means that the same household could be treated more harshly in the social sector if they choose to continue to under occupy than if they moved to a smaller but more expensive rented property that was under the Local Housing allowance limit. We have outlined some case examples of this in Annex 1.

3.4 Our own recently published Welfare Reform impact assessment study found that:

3 Welfare Reform Bill Committee Stage Report, pp. 39-40
• Just under a third of working-age tenants under-occupy their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit according to DWP estimates. The number of tenants affected is likely to be somewhere between 24,000 and 31,500. This would cost tenants of housing associations and co-operatives between £13.6 million and £18 million in lost benefits over a year.

• Tenants will be penalised for under-occupying, but they have little option but to do this, because there is a significant lack of 1-bedroom properties. 44% of working-age HA/Co-op tenants need a one-bedroom property but only 24% occupy one. Across all tenants, 62% need one bedroom but only 34% have this. This represents chronic under-supply.

3.5 Scottish housing associations and co-operatives already seek to make the best use of their housing stock and meet housing needs effectively through their allocation policies and/or Common Housing Registers. We have evidence from an association operating in a rural area that, because vacancies in their area of operation are so scarce, they typically offer properties larger than household size to accommodate changing circumstances of the household. These can include the addition of children through birth or new relationships, the inclusion of older family members no longer able to live independently, the need to have space to work at home. We also have evidence from other associations, typically working in regeneration areas, which let larger than required properties to those presenting as homeless because housing of a suitable size is in short supply and because larger sizes are available but in low demand.

3.6 These proposals threaten to undermine the fabric and cohesion of Scotland's rural communities. Housing associations and co-operatives have worked hard to protect and support the wellbeing of rural communities by ensuring that working age tenants can remain in those areas by housing them in accommodation large enough to meet their changing needs in a tenancy where an alternative affordable supply simply does not exist. This is now seriously under threat, with the likelihood that properties in small communities will remain vacant if smaller households can not afford to take them on, and that younger people will simply relocate to more urban areas, leaving declining and ageing communities behind them. None of this appears to make best use of existing stock, or to support sustainable and thriving communities. Neither can we assume that any properties freed up will necessarily be the right type, size and location to meet the needs of overcrowded households.

3.7 SFHA supports housing associations and co-operatives in their initiatives to incentivise those who are under occupying to move to smaller accommodation, where suitable accommodation exists. We are opposed to the proposals in the Welfare Reform Bill to introduce a financial sanction on those deemed to be under occupying, as this will penalise both those who are already in tight financial circumstances and landlords who are already focused upon making the best use of existing stock.
3.8 In previous stages of this Bill, calls have been made to exempt disabled people living in adapted properties from any restrictions to Housing Benefit. We support this but we would also urge consideration of the impact of an under-occupation penalty on a whole range of households, as discussed during the Commons Bill Committee’s scrutiny. Further impact information is provided in Annex 2 to this briefing.

4 Relationship between Housing Costs Subsidy and Actual Rents

4.1 We are concerned that under the terms of the legislation as currently drafted, both clauses 11 and 68 could be used to introduce a standard housing allowance for social tenants, with fixed rate payments. We note that, in the Explanatory Notes accompanying the Bill, it states:

“In the short to medium term, housing benefit for social rented sector tenants….will continue to be based on the actual rents in both housing association and local authority properties” (subject to the new size criteria mentioned in the same section of the Notes) 5

4.2 Whilst it is welcome that assistance with housing costs will continue to be based on actual rents, the use of the phrase “in the short to medium term” above rings alarm bells for us. We would be concerned if the concept of a fixed rate housing element for social tenants appeared at a later stage via secondary legislation. The Minister sought to reassure the Commons Bill Committee in this respect, but the potential to introduce a standard housing allowance still remains.

4.3 The relationship between the amount of housing costs paid to a benefit claimant and the actual rent is an important one. Housing Benefit and its predecessors have been developed to ensure that any tenant, irrespective of their experience of threats to income, can continue to make rent payments in full. For social landlords, a stable rental income is critical to ensuring that they can continue to access competitive borrowing to assist with building much needed new affordable homes and to maintain existing stock and services to tenants. Any change to this direct relationship between housing costs paid and actual rent has the potential to create spiralling rent arrears, increased homelessness and threaten the financial viability of social landlords.

4.4 As drafted, we understand that both Houses will have the opportunity to see a draft of any statutory instrument relating to Clause 68 and to approve it by resolution. This is welcome, providing sufficient time is allowed for its consideration and for housing industry experts to make representations on the content prior to this.

5 Benefits Cap

5.1 Clauses 93 and 94 introduce a cap on total household benefit paid to working age households. When this was debated in the Commons Bill Committee, it was clarified

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5 Explanatory Notes, p. 46, section 325
that the cap will operate by reducing Housing Benefit entitlement where a household’s total benefit exceeds the cap. It was also clarified that the cap will be carried forward into Universal Credit, although the impact on the housing costs element was not explained.

5.2 We have outlined in section 4 above the critical importance of retaining a direct relationship between housing support subsidy and actual rents. The proposed operation of the cap will undermine this.

5.3 We have ongoing concerns about the impact that a benefits cap will have upon homelessness in Scotland and right across the UK. The Scottish Government has set an ambitious target that all unintentionally homeless people in Scotland will be in settled accommodation by 2012. Our own impact study suggested that the proposed benefits cap will affect 1,700 tenants in Scotland, but notes that the losses that could be accrued will be significant, at an average of £66-£93 a week. Larger households with children will be most at risk of this measure, and so child poverty may worsen. Our concern is that the impact of the benefits cap in Scotland is to place around 1,700 tenants potentially at risk of homelessness, thus exacerbating an already challenging target.

6 Direct Payment of Housing Costs Element

6.1 Under the current Housing Benefit arrangements, tenants of social landlords have the right to choose to have their Housing Benefit paid directly to their landlord. Currently some 96% of Scottish housing association tenants choose to do so. There is also a provision for a social landlord, where a tenant is in arrears of rent by eight weeks or more, to request that the Housing Benefit is paid directly to the landlord. It is critical that the arrangements that exist currently for direct payment of Housing Benefit to social landlords are preserved in the provisions for payment of the new Universal Credit.

6.2 If the arrangements that exist currently for direct payment of Housing Benefit to social landlords are not preserved for the housing costs element of Universal Credit, the income streams of social landlords risk being significantly reduced. Households who will be eligible to receive Universal Credit will have tightly constrained incomes requiring careful management. Tenants who experience cash flow problems (e.g. due to higher food and utility bills) may spend the money received on items other than rent. Many tenants in social housing do not have bank accounts, and cannot easily access affordable credit. Our concern is that they may well therefore resort to expensive door-step lenders or even loan sharks in times of difficulty.

6.3 Clause 11 of the Bill as currently worded does not provide any assurance to social landlords that the existing arrangements will prevail under Universal Credit. Indeed, the wording of the Universal Credit White Paper implies that the direct debit system is

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7 http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110718/text/110718w0002.htm#1107184200014
being viewed as part of the solution. It is not. The direct debit system cannot guarantee that a landlord will receive the payment. In fact, there is a risk that households on constrained incomes who do have bank accounts and set up a direct debit for rent payments could find themselves with insufficient funds to meet the payment on the due date. If this happens, in addition to the rent arrears that will accrue, they will also face significant bank charges for the missed direct debit, especially if the landlord tries to get the payment more than once. So there is a significant risk that both rent arrears and general indebtedness will increase amongst tenants of social housing.

6.4 Significant reductions in rental income will constrain social landlords’ abilities to repay the private finance borrowed to build houses and to fund the maintenance of existing houses. This will result in lenders viewing housing associations and co-operatives as higher risk, thus impacting on the availability and terms of private finance in the future. One lender has already made public its concerns on this point and the Council of Mortgage Lenders highlighted the same to Members of the House of Commons in the Report Stage debate. In a worst case scenario, the viability of some social landlords may be threatened if rental income reduces very significantly.

6.5 Evidence from our Impact Assessment study shows that even before benefit reform, 20% of HA/Co-op working-age tenants on Housing Benefit say they are “in some financial difficulties”, and 5% are “in deep financial trouble”, while 15% “don’t manage very well”. We are concerned that if 40% of working-age tenants on Housing Benefit are finding finances difficult to manage before the cuts, the impact on arrears could be very significant.

7 Deduction of Overpayments from Earnings

7.1 At the Commons Report Stage, new provisions were incorporated into clause 102 of the Bill to allow benefit overpayments, including overpayment of Housing Benefit, to be deducted from a claimant’s earnings.

7.2 SFHA is concerned that the clause as currently drafted does not make it clear whether any judicial process would be required for the Secretary of State to serve a notice of earnings arrestment. If the intention of the new provision is that judicial process would not be required, then we would find this excessive and unduly punitive.

7.3 Clarification is also required about the amount of administration charge that an employer could make in process such an arrestment.

8 Affirmative Resolution Procedure

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8 Universal Credit: welfare that works, DWP November 2010, page 20, paragraph 31
8.1 SFHA has been concerned that the wording of some of the Bill gives the Secretary of State too wide a power to introduce a major restructuring of the benefits system without detailed parliamentary scrutiny. As currently worded, major changes could be introduced via secondary legislation to the calculation and payment of Housing Benefit and the housing costs element of Universal Credit for tenants in both the private rented sector and the social rented sector.

8.2 Such changes have the potential to affect the ability of significant numbers of tenants to pay their rent. These will not only increase rent arrears and homelessness, but will also impact on the ability of housing associations and housing co-operatives to borrow money to build new homes and to maintain existing housing stock.

8.3 We therefore welcome the amendment already made to the Bill which adds provision to clause 43 to ensure that the detailed regulations relating to specific clauses of the Bill (including clause 11 on housing costs) will be subject to the affirmative resolution procedure. We would add the caveat that there should be sufficient time prior to the scrutiny of such regulations in each House for housing industry experts and others to make representations on the content.

9 Concluding Comments

9.1 We have outlined above our serious concerns about the potential impact of specific elements of the Welfare Reform Bill on housing policy and practice in Scotland. Our sister federations have briefing politicians in their countries about the potential impact in other parts of the UK. Together, we have been working to table amendments to the Bill in the House of Lords which we hope will address many of the concerns that have been raised in this briefing – Annex 3 lists the various amendments which the SFHA and its sister organisations have tabled so far.

9.2 However, we must alert members of the Scottish Parliament that the net impact of this Bill will be to drive a coach and horses through the Parliament’s ongoing ability to determine its own direction on housing and regeneration policy. The thrust of the Bill in does not take account of the direction of Scottish housing policy since devolution in 1999 – such as the setting of the 2012 homelessness target, the 2016 fuel poverty target – nor does it take account of the particular issues affecting rural or inner-city areas of Scotland. We believe this is something which should be of concern to all members of the Scottish Parliament.

9.3 SFHA is committed to helping and supporting Scottish housing associations and co-operatives in their work to prevent and alleviate homelessness in Scotland: this is particularly important in helping to meet the 2012 Homelessness target. Aspects of this Bill as currently drafted could undermine this valuable work, by increasing rent arrears and – ultimately – homelessness. It also has significant potential to reduce the

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12 National Housing Federation (England), Community Housing Cymru (Wales)
revenue streams which social landlords rely upon to build much needed new homes and maintain the existing housing stock.

9.4 SFHA agrees with Professor Kenneth Gibb of Glasgow University, that: “if the long term goal is to move to a much simpler universal type allowance with an embedded housing allowance within it…then the shift from one system to the new one has to be managed and the transition made acceptable to all parties…Housing Benefit on this scale directly affects the poorest in society but also the very bodies whose purpose is to provide aid and support to those people. It the outcome of reform is to make private finance even less accessible [for housing investment] it will be self defeating.”

SFHA
October 2011

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CASE EXAMPLES WHERE SUITABLY SIZED ALTERNATIVE ACCOMODATION IN PRIVATE RENTED SECTOR WILL COST MORE IN LHA THAN TENANT REMAINING IN SOCIAL SECTOR

All of these real life examples have been provided to SFHA by Albyn Housing Society, a housing association operating in the Scottish Highlands.

Each case shows that, if the under occupying tenant were able to find smaller accommodation in the private rented sector, the Local Housing Allowance payable would be more expensive than the full Albyn rent for the property being under-occupied.

1. Mr & Mrs M who live in the North of Highland in a 5 bedroom property which Albyn built specially for them in 2006. Mrs M is in a wheelchair and when they lived previously in Council accommodation Mrs M slept on the living room floor for 12 years. The family have 3 grown up sons living with them. One has severe learning disabilities, another has some special needs. In theory the family will be under-occupying by one bedroom which could result in a 10-15% reduction in their Housing Benefit. This will be in addition to any non-dependant deduction that is applied.

   *(Monthly Albyn 5 bed Rent £365.13 : LHA 4 bed limit £694)*

2. Miss A is under 35 and lives in a 3 bedroom Albyn property in which she had a joint tenancy with Miss C, both receiving non-residential floating housing support provided by Key Housing Association. Sharing the home did not work out and Miss C has moved out leaving Miss A under-occupying by two bed spaces and consequently facing a potential cut to Housing Benefit of 20 -25%. Miss A would be extremely vulnerable in private sector shared accommodation. Albyn has been unable to transfer her to smaller accommodation to date due to lack of available supply in a suitable area.

   *(Monthly Albyn 3 bed rent £315.65: LHA 1 room limit £275 / 1 bed limit £375)*

3. Mrs L lives in her family home which was bought by Albyn under the Scottish Government’s Mortgage to Rent scheme to avoid them becoming homeless through repossession. It is a 3 bedroom property and her son who has learning difficulties and Tourettes Syndrome lived with her until he moved to a home on his own. Her daughter is staying with her at present but is looking to move nearer her work in Inverness. When her daughter leaves Mrs L will be under occupying by 2 bedrooms and potentially will lose 20 – 25% of her Housing Benefit.

   *(Monthly Albyn 3 bed rent £299.93: LHA 1 bed limit £375)*

4. Mr & Mrs P lived in a 3 bedroom Albyn property with their two sons. Both sons have now moved out to live independently and the family are now under-occupying by 2 bedrooms.

   *(Monthly Albyn full 3 bed rent £319.49: LHA 1 bed limit £375)*
5. Mr B is deaf/blind and lives in a 4 bedroom Albyn property with his 2 carers who sleep over and use a bedroom each. He was originally housed in this property as a result of government policy for the re-provisioning of clients from long term Institutional hospital care into the community, in partnership with the health service. He originally shared this property with another tenant with learning difficulties but this did not work out due to Mr B’s challenging behaviour. Mr B’s tenancy was converted to a single tenancy. Mr B is now under-occupying by 1 bedroom and could potentially lose 10 – 15% of his Housing Benefit.

(Monthly Albyn full 4 bed rent £382.92: LHA 3 bed limit £550)

6. Mrs R lives alone in a 3 bedroom property since her son and daughter have grown up and left home. She is still of working age but does not work and receives full Housing Benefit. Mrs R stands to lose 20 – 25% of her Housing Benefit but there are no suitable 1 bedroom properties in the area where she has lived most of her life. Her son and daughter still visit her regularly to stay.

(Monthly Albyn full 3 bed rent £315.65: LHA 1 bed limit £375)
INTRODUCTION

- SFHA commissioned and recently published independent research on the potential impacts of Welfare Benefit Reform on tenants and landlords.
- The main aim of the research was to assess the possible impact of different elements of the Welfare Reform Bill including the proposed changes to Housing Benefit and broader changes to different groups of benefits.
- The research also considered possible policy measures to offer savings while reducing the detrimental impact of the reforms.
- The outputs of the research will also include a web-based calculator for landlords to use with tenants to assess the impact of benefit reform on them.

PROPOSED WELFARE REFORM

- The scope of the Welfare Reform Bill and associated legislation is considerable, with numerous strands. Although Housing Benefit has the most direct impact on social landlords, all of the potential reforms might impact on tenants and so the impact assessment needs to consider these.
- The welfare reforms announced so far are:

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Caps on Housing Benefit based on property size for under-occupying social tenants of working age. | April 2013
---|---
All working-age benefits will be replaced with a Universal Credit with a benefit cap of £350 a week for single people and £500 per week for couples. More conditions and sanctions, also. | 2013-1017
Replacing Disability Living Allowance with Personal Independence Payment, with the aim of reducing the amount payable to working-age claimants by around 20% | 2013-2017
The localisation of the Social Fund and Council Tax | 2013-2017

This is a fast-changing and complex policy area, with new announcements about proposed changes being made periodically. Not all the changes are being made as part of the Welfare Reform Bill. For example, the up-rating of non-dependent deductions was part of secondary legislation. Changes to Working Tax Credit were also made through secondary legislation and without a full impact assessment.

**THE POTENTIAL IMPACTS**

- The analysis is based on benefits data from the DWP, Scottish Government data, APSR data, Scottish Household Survey data and SCORE data. The findings provide some sobering reading:
- Looking across the proposed changes to Housing Benefit, Universal Credit and other benefit reforms, *as many as 1 in 5 tenants may have their incomes adversely affected, with some very substantial income losses for some tenants.*
- Rates of non-dependent deductions have already been increased significantly, by secondary legislation. *A household with a non-dependent on the minimum-wage for a 40 hour week will lose £48.45 a week in Housing Benefit - an additional £10.25 a week compared to 2010-11 rates.*
- Just under a third of working-age tenants under-occupy their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit according to DWP estimates. *The number of tenants affected is likely to be somewhere between 24,000 and 31,500 tenants. This would cost HA/Co-op tenants between £13.6 million and £18 million in lost benefits over a year.*
- Tenants will be penalised for under-occupying but have little option other than to do this. There is a significant lack of 1-bedroom properties – 44% of working-age HA/Co-op tenants need a one-bedroom property but only 24% occupy one. Across all tenants, 62% need one bedroom but only 34% have this. This represents chronic under-supply.
- Universal Credit will set a cap on benefits to working age households, which will affect an estimated 1% of the caseload – *an estimated 1,700 HA/Co-op tenants across Scotland. Although the numbers affected are low, the losses are significant, at an average of £66-£93 a week.* Larger households will be most at risk of this measure.
- The DWP aims to reduce expenditure on disability benefits from 2013-14 by 20%. Almost one in five HA/Co-op tenants and one in six working-age tenants receive Disability Living
Allowance so the impact on the sector could be hard. The tenants of specialist providers will be most significantly affected by these cuts.

- 15% of tenants receive Working Tax Credit, of which about 12% have children. The 10% cut in childcare payments will affect many of these tenants. A further 16% receive Incapacity Benefit/Employment Support Allowance and we would expect eligibility to fall by 5%, based on DWP estimates.
- DWP propose to pay Universal Credit directly to tenants, monthly, in arrears. This poses a significant risk to household budgeting which could impact on landlord rental income and is likely to affect the confidence of lenders.
- Even before benefit reform, 20% of HA/Co-op working-age tenants on Housing Benefit say they are in “some financial difficulties” and 5% are in “deep financial trouble” while 15% “don’t manage very well”14. If 40% of working-age tenants on Housing Benefit find finances difficult to manage before the cuts, the impact on arrears could be significant.
- Any cuts to the Social Fund are also likely to affect a tenant’s ability to maintain a tenancy without getting into debt to buy white goods, furniture, homeware, etc.

SFHA
October 2011

14 Scottish Household Survey data 1999-2008
ANNEX 3

SUBJECT: WELFARE REFORM BILL: LIST OF AMENDMENTS CURRENTLY BEING SOUGHT BY SFHA & SISTER ORGANISATIONS VIA HOUSE OF LORDS

INTRODUCTION

A joint briefing has been sent to every member of the House of Lords, with the following message:

*Please find attached a joint briefing on amendments to Clauses 11 and 68 of the Welfare Reform Bill, which begins its Lord Committee Stage on Tuesday 4 October.*

This briefing covers the penalty for under-occupation and calculation of the Universal Credit for tenants in the social and private rented sectors. It is supported by the National Housing Federation, Citizens' Advice Bureaux, Shelter, Crisis, Homeless Link, the Scottish Federation of Housing Associations and Community Housing Cymru.

*We support the principle of a Universal Credit and recognise the need for reform of the benefits system. However, the Welfare Reform Bill cuts great holes in the safety net of millions of people up and down the country.*

*If it passes through the Lords unamended, many of the most vulnerable people in our society will face serious hardship.*

A marshalled list of all of the amendments to the Bill tabled to date in the Lords is available here: [http://www.publications.parliament.uk/pa/bills/lbill/2010-2012/0075/amend/ml075-i.htm](http://www.publications.parliament.uk/pa/bills/lbill/2010-2012/0075/amend/ml075-i.htm)

The joint briefing referred to above, including related amendments, accompanies this SFHA briefing as a separate PDF document.
The UK Government is set to make radical changes to the welfare system over the next few years, which will have serious and wide-ranging implications for housing associations, housing co-operatives and their tenants. The welfare reforms announced to date include:

- Significantly increased Housing Benefit deductions for claimants that have non-dependents living with them;
- A cap on Housing Benefit based on the under-occupancy of socially rented homes;
- Changes to Working Tax Credit (including a drop in help with childcare costs);
- Reassessment of Incapacity Benefit and Severe Disablement Allowances;
- The replacement of all working age benefits with a Universal Credit;
- Replacement of Disability Living Allowance with Personal Independence Payments;
- Localised Council Tax benefits and Social Funds.

Some of these changes have already been implemented, while others are set to be introduced in the future. These changes to the benefits system will affect a wide range of tenants and their landlords.

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### The Welfare Reform Bill

The SFHA broadly supports the principle of a simplified benefits system.

But, as it stands, the Welfare Reform Bill threatens to dismantle the existing safety net for households whose income is threatened by unemployment, low wages or disability.

The Bill has the potential to reduce the revenue income of Scottish housing associations and co-operatives. This will impact on their ability to maintain existing stock and to repay loans taken out to build much-needed new affordable homes – at a time when there are already 335,000 households on Scottish housing association and co-operative housing lists.

While short on detail, the Bill empowers the Secretary of State to make changes through secondary legislation that will impact on the entitlements of millions of people across the UK. We are deeply concerned about the speed of the Bill through Parliament and consequently, the lack of Parliamentary scrutiny. Leaving the detail to secondary legislation opens the way for major reforms to the benefits system with insufficient parliamentary scrutiny.

The Bill also threatens to work against many objectives of Scottish Government policy, including the commitment to have every unintentionally homeless household in settled accommodation by 2012. The increased pressure on the incomes of both tenants and social landlords could also make meeting the target of eradicating fuel poverty by 2016 even more challenging.
SFHA’s key concerns

- We are opposed to the underoccupation penalty being introduced through both clauses 11 (housing costs element of Universal Credit) and 68 (Housing Benefit).
- We are opposed to any break in the relationship between housing costs subsidy and actual rents, which could be introduced via secondary legislation related to clauses 11 and/or 68.
- We are greatly concerned about the overall benefits cap in relation to housing costs (clauses 93 & 94).
- We are calling for direct payment of the housing costs element of Universal Credit to social landlords where the tenant chooses or where there are rent arrears and the landlord wishes to receive direct payment. Currently 96% of housing association and co-operative tenants in Scotland choose to have their housing benefit paid directly to their landlord.
- We are concerned about the new provision (clause 102) enabling deduction of Housing Benefit (and other benefit) overpayments from earnings.

The potential impact of the reforms

In May 2011 SFHA published independent research on the potential impacts of key elements of the reforms on Scottish housing association/co-operative tenants and their landlords. The findings make for sobering reading:

- Across the changes to Housing Benefit, Universal Credit and other benefit reforms, as many as 1 in 5 tenants may have their incomes adversely affected, with some very substantial income losses for some tenants.
- Rates of non-dependent deductions have already been increased significantly by secondary legislation. A household with a non-dependent on the minimum-wage for a 40 hour week will lose £48.45 a week in Housing Benefit - an additional £10.25 a week.
- Just under a third of working-age tenants (around 24,000 tenants) ‘under-occupy’ their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit. This would cost HA/Co-op tenants an estimated £13.6 million in lost benefits over a year.
- Tenants will be penalised for under-occupying but in many cases they simply don’t have an alternative, due to the housing shortage and lack of available smaller properties. Across all HA/Co-op tenants, 62% need one bedroom but only 34% have this: this represents chronic under-supply.
- Under-occupying can serve a purpose in the ‘lifecycle’ of a home. Included within the ‘under-occupying’ group will be couples who may plan to have children, parents who have weekend access to children, those with older children who need to visit, those with ageing parents who may have longer-term care needs and those with teenage children who need space to study.
- Universal Credit will set a cap on benefits to working age households, which will affect an estimated 1% of the caseload – an estimated 1,700 HA/Co-op tenants across Scotland. Although the numbers affected are low, the losses are significant, at an average of £66-£93 a week. Larger households will be most at risk of this measure. Our current understanding is that it will be the housing costs element that will be reduced when the cap is reached.
- The DWP aims to reduce expenditure on disability benefits from 2013-14 by 20%. Almost one in five HA/Co-op tenants receive these benefits so the impact on the sector could be hard. The tenants of specialist providers will be significantly affected by these cuts.
- It is proposed that Universal Credit is paid directly to tenants and that benefits will be paid monthly in arrears. This poses a significant risk to household budgeting and to landlords’ rental income – lenders are already raising concerns.
- Even before benefit reform, 20% of HA/Co-op working-age tenants on Housing Benefit say they are in ‘some financial difficulties’ and 5% are in ‘deep financial trouble’ while 15% ‘don’t manage very well’. If 40% of working-age tenants on Housing Benefit find finances difficult to manage before the cuts, the impact on arrears could be significant.

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What You Can Do

• Sign our petition to show your support! Visit the Housing Benefits campaign page on our website www.sfha.co.uk - where you can sign up online or download printable sign-up forms for those without internet access, as well as get the latest news on the progress of our campaign.

• Read the SFHA Welfare Reform Impact Assessment (available on SFHA’s website) study to get a full understanding of the impacts the Welfare Reform Bill might have on housing associations/co-operatives and their tenants.

• As part of our work on assessing the impact of welfare reform, we have produced a free to use Welfare Reform Calculator to help your tenants understand how they will be affected (available on SFHA’s website).

• Download our template letter and send it to your MP, MSP and any Lords you may have contact with to register your concern about the impacts of Housing Benefit reform.

• We are in urgent need of more case study examples of how the proposals will impact on your organisation or tenants to support our lobbying - please contact David Ogilvie, Policy & Strategy Manager by email dogilvie@sfha.co.uk

The Campaign for a Fairer System

SFHA has been campaigning since October 2010 for a fairer system of Housing Benefit, rather than the proposed cuts which will do so much damage to our sector and those who live in our homes.

This campaign is endorsed by our sister organisations throughout the UK: the National Housing Federation, Community Housing Cymru and the Northern Ireland Federation of Housing Associations.

Our colleagues are greatly concerned about the proposals as they stand:

Sue Ramsden, Policy Leader, National Housing Federation

“We are convinced about the need for reform of the housing benefit system: however, we must find a way of ensuring that reform does not harm those who can least afford it. Of the 4.7 million households in the UK claiming housing benefit, 76 per cent are retired or not expected to work due to illness, disability, or caring commitments. Supporting households with their housing avoids the massive social costs of squalid, overcrowded housing conditions. The most effective way of reducing the burgeoning housing benefit bill is to invest in more affordable housing. This will secure savings for years to come.”

Amanda Oliver, Head of Policy and Research, Community Housing Cymru

“Community Housing Cymru is the membership organisation for housing associations and community mutuals in Wales. We share the views expressed in this document and have no doubt that these reforms will have devastating affects on the most disadvantaged groups in our society, with many individuals being driven into debt, rent arrears and losing their home - of those individuals in receipt of Housing Benefit in Wales (69%) live in social rented housing and (31%) in the private rented sector. Through this joint campaign, we aim to raise sufficient awareness at Whitehall to prompt a revision of the current plan in favour of one that does incentivise work but also protects those who are most vulnerable.”

Christopher Williamson, Chief Executive, Northern Ireland Federation of Housing Associations

“The Northern Ireland Federation of Housing Associations is deeply concerned about the proposed Housing Benefit reforms because they would have a severe negative impact on thousands of economically vulnerable tenants.”

The Scottish Federation of Housing Associations (SFHA) is the national representative body for housing associations and housing cooperatives in Scotland.

Housing associations and cooperatives own and managed 46% of Scotland’s affordable rented housing stock. This represents around 272,401 homes across the country, concentrated in some of Scotland’s poorest communities. Approximately 60% of social housing tenants in Scotland receive either full or partial Housing Benefit to help pay their rent.

Scottish Federation of Housing Associations
Pegasus House, 375 West George Street
Glasgow G2 4LW
Tel 0141 332 8113 Fax 0141 332 9684
Email: sfha@sfha.co.uk
Web: www.sfha.co.uk
We support the principle of a Universal Credit and recognise the need for reform of the benefits system.

However, the Welfare Reform Bill cuts great holes in the safety net of millions of people up and down the country. If it passes through the Lords unamended, many of the most vulnerable people in our society will face serious hardship.

This briefing covers the penalty for under-occupation and calculation of the Universal Credit for tenants in the social and private rented sectors. We are supporting amendments to:

- Exempt groups who will find it difficult to find another suitable home, such as disabled people and foster carers, from the Government’s proposal to cut housing benefit from social housing tenants who are deemed to have a spare room
- Introduce a more workable definition of ‘under-occupation’ for the purposes of this legislation, which properly reflects the national under-supply of affordable housing
- Copy existing methods of calculating support for housing costs into Universal Credit.
- Require regular reviews to ensure that support for housing costs in the private rented sector keeps up with rising rents
- Preserve tenants’ right to choose whether to have housing benefit paid to themselves or directly to their landlord.

‘Under-occupation penalty’ and social housing tenants

The Government wants to use powers in Clauses 11 and 68 to cut the amount of housing benefit that people can receive if they are deemed to have a spare bedroom in their council or housing association home.

People over pension age are not affected but it will hit disabled people, foster carers, working families on low incomes and families with young children. We believe this measure is punitive, poorly targeted and that it will do little to address the problems of overcrowding.
Exemption to social sector size criteria for disabled people living in adapted properties

Clause 11, page 5, line 29, at end add—
“(c) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a person has provided the relevant authority with such certificates, documents, information or evidence as are sufficient to satisfy the authority that the person is disabled and is living in a property specially adapted or particularly suited to meet the needs of that person.”

Clause 68, page 52, line 36, at end add—
‘(4) After subsection (7) insert—
“(c) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the AMHB to be less than the actual amount of the liability in a case where a person has provided the relevant authority with such certificates, documents, information or evidence as are sufficient to satisfy the authority that the person is disabled and is living in a property specially adapted or particularly suited to meet the needs of that person.”

Explanation

These amendments will exempt an estimated 100,000 disabled tenants living in specially adapted or designed properties. Department for Work and Pensions Minister Maria Miller has said that the Government was prepared to “look in detail at how we can ensure that there are exemptions for individuals who are disabled, where their homes may have been subject to extensive adaptations”.

- Of the 670,000 claimants expected to be affected the under-occupation penalty, 450,000 (66%) are disabled. Many social homes are adapted to be accessible for people with disabilities. Research by the National Housing Federation found an estimated 100,000 working-age social housing tenants in the UK claiming housing benefit live in adapted homes with one or more ‘spare’ bedrooms.

- Putting personalised adaptations into new, smaller properties will be costly. The average cost of the relevant grant for this work exceeds £6,500, a ramp costs £500 and a level access shower costs £3,500. Unless disabled people living in an adapted property are exempted from this measure, there may be a net cost to the taxpayer.

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1 Welfare Reform Bill, Commons Committee, 3 May 2011, Hansard Column 716
2 DWP Impact Assessment: Under-occupation of social housing (Feb 2011)
Exemption to social sector size criteria for DLA recipients

Clause 11, page 5, line 29, at end add—

“(a) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a person in the household is in receipt of any component of Disability Living Allowance or (as the case may be) of personal independence payment.”

Clause 68, page 52, line 36, at end add—

“(4) After subsection (7) insert -

“(a) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a person in the household is in receipt of any component of Disability Living Allowance or (as the case may be) of personal independence payment.”

Exemption to social sector size criteria for foster families

Clause 11, page 5, line 29, at end add—

“(a) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a household is providing a foster care placement.”

Clause 68, page 52, line 36, at end add—

“(4) After subsection (7) insert -

“(a) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the AMHB to be less than the actual amount of the liability in a case where a household is providing a foster care placement.”

Explanation

These amendments will exempt an estimated 200,000 households in receipt of Disability Living Allowance (or personal independence payment). This will help protect vulnerable people by bringing the measure into line with the proposed overall benefit cap, which already contains an exemption for DLA recipients.

These amendments will exempt families providing foster care placements. As currently drafted, the social sector size criteria and related benefit cuts, will hit foster carers claiming housing benefit. This is because foster children, for the purposes of housing benefit, are not counted as part of the household and therefore any rooms they occupy will be classed as ‘under-occupied’. The Fostering Network, which supports this amendment, has warned that failure to exempt foster carers from this financial penalty could lead to some quitting fostering altogether.

3 Commons written question, 19 May 2011, c317W
Exemption to social sector size criteria for supported and sheltered housing

| Clause 11, page 5, line 29, at end add— |
| “() In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a household is living in supported or sheltered housing.” |

| Clause 68, page 52, line 36, at end add— |
| ‘(4) After subsection (7) insert— |
| “() In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the AMHB to be less than the actual amount of the liability in a case where a household is living in supported or sheltered housing.” |

Explanation

Supported and sheltered housing provides specialist housing for people with support needs, including some of the most vulnerable people in society. An independent analysis by Frontier Economics found that supported and sheltered housing delivers a net benefit of £639m a year; including £199m a year from specialist housing for adults with learning disabilities and £187m a year from specialist housing for people with mental health problems.\(^4\)

Cutting the benefit for people deemed to ‘under occupy’ their supported or sheltered housing would mean that schemes would no longer be viable and there is a risk that vulnerable people with support needs would become homeless since there may be no suitable alternative properties with the right support available.

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\(^4\) Frontier Economics, Financial Benefits of Investing in Specialist Housing for Vulnerable and Older People (September 2010)
Exemption to social sector size criteria where no suitable alternative social rented sector accommodation is available in the locality

Clause 11, page 5, line 29, at end add—

“(1) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a person has no means of avoiding a Universal Credit reduction for under-occupying a property let by a local housing authority or private registered provider of social housing because no suitable alternative social rented sector accommodation is available in the locality.”

Clause 68, page 52, line 36, at end add —

(4) In section 130A of the Social Security Contributions and Benefits Act 1992, after subsection (7) insert—

“(1) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the AMHB to be less than the actual amount of the liability in a case where a person has no means of avoiding a housing benefit reduction for under-occupying a property let by a local housing authority or private registered provider of social housing because no suitable alternative social rented sector accommodation is available in the locality.”

Explanation

These amendments will exempt from the under-occupation cut tenants with no suitable alternative social rented sector accommodation in the locality. They recognise the shortfall in available properties in the social sector for those seeking to downsize, protecting those who have had no opportunity to escape the cut.

- Given levels of overcrowding and the shortage of social homes, it is vital that the best use be made of the existing stock. However, in order for the measure to be effective tenants must have somewhere suitable to move to.

- There is a very limited supply of one bed properties into which people will be able to move. Modelling by the National Housing Federation found that about 180,000 social tenants in England are ‘under-occupying’ two-bed homes, but only 68,230 one-bed social homes became available for letting in 2009-10. People will see a cut in their benefit with little prospect of being able to move to a smaller social home. In rural areas people may have to move many miles to find a smaller home.

- This amendment will help to smooth the regional impact of the cut, which under current proposals has a disproportionate impact in specific areas of the country. In the North East of England, 46% of working-age social housing benefit claimants are affected and 43% in the North West. In contrast, only 3-4% of households in the social rented sector are overcrowded.

- In response to the reform, people may be compelled to move to the private rented sector where the benefit cost for the tax payer will be higher. For example, a couple with one child moving into the private sector from a three bed social flat in Crawley would be entitled to around £66 per week more in benefit to cover their additional housing costs.

5 Based on 30th percentile LHA rates published in DWP impact assessment on changes to LHA 2010 and average social housing rents for the South East
### Social sector size criteria to permit one spare bedroom

**Clause 11**, page 5, line 29, at end add—
"(6) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the housing cost element of the Universal Credit to be less than the actual amount of the liability in a case where a household has no more than one spare bedroom."

**Clause 68**, page 52, line 36, at end add—
‘(4) After subsection (7) insert—
“(6) In relation to a dwelling of which the landlord is a local housing authority or a registered provider of social housing, regulations under this section shall not permit the AMHB to be less than the actual amount of the liability in a case where a household has no more than one spare bedroom.”

### Explanation

These amendments will mean that, whatever size criteria the Government introduces through regulations, households in the social sector will still be entitled to a single spare bedroom under benefit rules. The amendment would reduce the numbers affected from about 670,000 to about 150,000 and target the proposal on the type of high level under-occupation that provokes wider public concern.\(^6\)

In England, the Tenant Services Authority has defined ‘under-occupiers’ as households with more than one spare bedroom, over and above what is permitted by the Department for Communities and Local Government’s Bedroom Standard.\(^7\) In effect, households in the social sector are currently entitled to one spare bedroom, or to allow children or indeed adults who live as couples, to enjoy single occupancy of a bedroom. Even if they have more than one spare bedroom, perhaps because of changes in family size over a period of time, they may still be entitled to housing benefit to cover their rent.

The Government’s new size criteria for the social sector will, for the first time, affect a household’s benefit entitlement. Rather than apply the ‘Bedroom Standard plus one spare bedroom’ guideline, it wants to impose the much stricter size criteria currently used to assess entitlement to Local Housing Allowance in the private rented sector. It is stricter because it does not allow for any additional bedrooms, and would force children and couples to share bedrooms even where this is not desirable for health reasons. Nor does it allow the space for important activities such as study. The Government has claimed it is fair to bring the rules in the social sector in line with the private rented sector but this is misleading; although private tenants are eligible for set rates of benefit dependent on their family size there are no restrictions to prevent them from under-occupying if they are able to find a larger home to rent within the limits of their LHA entitlement.

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\(^6\) DWP Impact Assessment: Under-occupation of social housing (Feb 2011), page 9

\(^7\) Overcrowding and under-occupation: Self-assessment for social landlords, Appendix A (p.26), Oct 2009
Mechanism by which housing cost element of Universal Credit shall be set

Clause 11, page 5, line 22, at end delete sub-clause (4) and substitute:

‘(4) For the purposes of subsection (1) the appropriate amount of housing costs (in this section referred to as “the appropriate amount”) is determined in accordance with subsections (4A) to (4H).

(4A) Regulations shall prescribe the manner in which the appropriate amount is to be determined.

(4B) In relation to rents chargeable in respect of properties let by local housing authorities and by private registered providers of social housing, the appropriate amount shall be 100% of the rent.

(4C) For the purposes of subsection (4B), ‘rent’ means the contractual rent or other payment in respect of the occupation of residential premises due under a letting agreement, subject to deduction only of any amounts payable in respect of water rates and heating and any other payments not related to the provision of adequate accommodation.

(4D) Subject to subsection (4B), the regulations shall provide for the appropriate amount to be ascertained in the prescribed manner by reference to rent officer determinations.

(4E) The regulations may require an authority administering claims for housing costs in any prescribed case
(a) to apply for a rent officer determination, and
(b) to do so within such time as may be specified in the regulations.

(4F) The regulations shall make provision for the level of rent officer determinations in respect of each prescribed description of property in the locality to be reviewed on a monthly basis.

(4G) For the purpose of subsection (4G), the “locality” means such area as may be ascertained in accordance with the regulations.

(4H) The regulations may make provision as to the circumstances in which, for the purpose of determining the appropriate amount, the amount of the liability mentioned in subsection (1) above must be taken to be the amount of a rent officer determination instead of the actual amount of that liability.

(4I) A rent officer determination is a determination made by a rent officer in the exercise of functions under section 122 of the Housing Act 1996.’

Explanation

Clause 11 of the Bill deals with housing costs as part of universal credit. The clause is drafted in terms which permit the Secretary of State to determine by regulations the basis of the amount to be paid in respect of housing costs. It does not provide for benefit entitlement to be related to actual rents in the locality, as does the existing legislation.

The purpose of this amendment is to restore the link between benefit for housing costs and rents actually payable. The amendment does this by re-working existing housing benefit
provisions (in section 130A of the Social Security Contributions and Benefits Act 1992) and applying them to the context of universal credit. The effect of the amendment is to:

- require benefit in respect of housing costs in the private sector to be based, as now, on an assessment by the rent officer
- allow for the definition of ‘locality’, which is the basis of the rent officer’s assessment (replacing the present concept of the Broad Market Rental Area), to be determined by regulations
- prescribe that benefit in respect of local authority and housing association rents is to be equal to the full contractual rent in each case
- require that assessments of local rents be reviewed and updated on a monthly basis.

Periodically reviewing and amending housing support according to rent levels

**Clause 11, Page 5, line 29, at end insert -**

“(6) Regulations are to provide for the Secretary of State for Work and Pensions to review not less than every two years the relationship between housing costs in the private rented sector and the level of the housing component of Universal Credit.

(7) Regulations are to provide that the Secretary of State for Work and Pensions must amend the calculation of housing costs where this is necessary to ensure that at least the 30th percentile of the list of private rented properties in each locality remains affordable to claimants, in light of the review under subsection (6).”

**Explanation**

Clause 68 of the bill (which will apply to housing benefit in the period before the Universal Credit) breaks the link between housing support and costs and enables the Secretary of State to up-rate LHA rates by CPI, rather than a monthly calculation of actual rents in a locality. Clause 11 of the bill determines the calculations of housing support under Universal Credit and contains so little detail that CPI or any other measure could also be used as the basis for calculating housing support under Universal Credit. Ministers have yet to make clear how they intend housing costs in Universal Credit to be calculated.

Because rents tend to rise faster than CPI there is a risk that this will lead to large areas of the private rented sector becoming unaffordable to LHA claimants. As rents rise at different rates in different areas there is the real danger that the areas which will become unaffordable first will be those with higher growth, where employment opportunities are likely to be concentrated. Research by Shelter and the Chartered Institute of Housing warned that a third of local authorities could become very unaffordable after ten years.

This amendment would require reviews not less than every two years of the extent to which housing costs are keeping track of actual rents, and for the calculation of housing costs to be amended where necessary to ensure that at least the 30th percentile of properties are affordable for people who are claiming the housing element of the Universal Credit. It would require the review to take account of the range of private rents in each area employing a similar method to that currently used by rent officers to determine the 30th percentile.
Clause 11 of the bill deals with housing costs as part of Universal Credit but leaves all details to be determined in regulations. It therefore does not ensure that benefit entitlement will be related to actual rents in the locality, as is the case with Local Housing Allowance, the current system of housing benefit in the private rented sector. While the argument that LHA has inflated rents has repeatedly been made by the Government, scant evidence has been produced to support this. In contrast, recent research by the Chartered Institute of Housing and the British Property Federation demonstrates that many private sector landlords in fact reduced their rents during the first 18 months of LHA being introduced. Between November 2008 and February 2010, LHA rates dropped in twice as many areas than they rose and, indeed, this pattern was particularly pronounced in London and the South East. Changes to the composition of claimants are the real reason that the LHA bill has risen, with a greater proportion being families and, particularly, with more being based in high rent areas such as London and the South East. Rents have continued to rise rapidly since April this year, when major cuts to the LHA entitlement of new claimants were introduced. A similar amendment was tabled at Commons Report stage.

To cap non-dependant deductions at half of the eligible rent

<table>
<thead>
<tr>
<th>Clause 11, page 5, line 23, after sub-clause (4) insert:</th>
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</thead>
<tbody>
<tr>
<td>“(4A) Regulations shall provide that any deduction or deductions to be made from the housing costs element of Universal Credit in respect of non-dependant members of the household shall not exceed 50 per cent of such amount.”</td>
</tr>
</tbody>
</table>

Explanation

This amendment would cap at half of their total rent the amount of housing benefit that can be deducted when the tenant shares their house with adult children or other relatives.

The non-dependent deduction (NDD) is a reduction that is made to a claimant’s housing benefit entitlement if they share their home with a non-dependent adult. This is because it is assumed that non-dependents will be contributing towards housing costs.

However, there are a number of problems with the NDD system. The housing benefit is reduced by a pre-set amount regardless of the total rent payable which can leave non-dependents liable for all or nearly all of the total rent owed, even though they may have no legal claim on the property. This amendment would ensure that tenants remain responsible for at least half of their rent, thereby supporting the Government’s ambition to promote financial responsibility. It would also go some way towards addressing many of the problems with high rates of non-dependent deductions, which can create work disincentives, cause tension within families and put tenants at risk of arrears and eviction.

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8 Leading the market? A research report into whether LHA lettings are feeding rent inflation (Sept 2011) CIH & BPF
Direct payments to landlords (tenant choice)

New Clause

(1) This Section applies to payments of the housing cost element of the universal credit

(2) Payment of the housing costs element of the Universal Credit must be made to a person’s landlord where that person has requested or consented to such payment

(3) Regulations made by the Secretary of State may prescribe the circumstances in which subsection (2) does not apply

(4) Regulations made by the Secretary of State shall prescribe the person who is to be treated as the landlord for the purposes of this section and shall make provision as to the discharge of liability consequent upon the making of any payments to the landlord.

Explanation

The Bill is silent on the continuation of direct payments of housing benefit to landlords. Any changes to the way payments are made are to be set out in regulations at a later date and it is vital that this issue is properly debated. We believe that removing this choice from tenants will be burdensome, expensive and could force millions into arrears. We are seeking assurances that all tenants will continue to be allowed to choose to have payments paid direct to landlords.

- A pilot study by one of the country’s largest housing associations identified additional transaction costs of £300,000 for its 16,500 tenants on housing benefit if 90% were to move to payments direct to tenants. Modelling by the National Housing Federation suggests that this would equate to nearly £100 million of additional transaction costs across the sector.

- The pilot also found that the removal of direct payments to landlords increased arrears as a proportion of the total rent roll from 3% to 7%. Modelling by the National Housing Federation suggests that if this was replicated in housing associations across the country arrears would rise by £320 million.

- Direct payments help reduce personal debt and the risk of people losing their homes. More than 15% of local authority tenants and 13% of housing association tenants do not have a bank account, and so would be unable to pay their rent by direct debit if direct payments were stopped.

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9 Where’s the Benefit?, L&Q, February 2004
10 Excluding post office accounts. Family Resources Survey 2008/9
• For social landlords, the financial security that comes from direct payments has been critical to their ability to secure private investment at highly competitive rates, maximising their capacity to deliver much needed affordable homes at good value to the tax payer.

• Direct payments are also important to landlords in the private rented sector. 88% of housing advisers surveyed by Crisis cited payments being made directly to tenants as one of the reasons that landlords are less willing to let properties to claimants.\textsuperscript{11} Choice for tenants over direct payments would empower tenants as well as helping to encourage private landlords to let properties to claimants at a time of growing demand for private rented accommodation from both claimants and non claimants.

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\textsuperscript{11} Housing Benefit Survey 2010 Crisis (2010)
EVIDENCE FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

IN RESPONSE TO THE INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE’S CALL FOR VIEWS ON THE UK GOVERNMENT’S WELFARE REFORM BILL

November 2011
1. **Introduction**

1.1 As the national representative body for housing associations and co-operatives in Scotland, the Scottish Federation of Housing Associations (SFHA) welcomed the opportunity afforded by the Infrastructure and Capital Investment Committee for us to provide oral evidence on the UK Government’s Welfare Reform Bill.

1.2 The radical changes to the welfare system outlined in the Welfare Reform Bill will have serious implications for housing associations, co-operatives and their tenants.

1.3 The SFHA broadly supports the principle of a simplified benefits system. But, as it stands, the Welfare Reform Bill threatens to dismantle the existing safety net for households whose income is threatened by unemployment, low wages, or disability.

1.4 The Bill has the potential to reduce the revenue income of Scottish housing associations and co-operatives. This will impact on their ability to maintain existing stock and to repay loans taken out to build much-needed new affordable homes. This is at a time when there are already 335,000 households on Scottish housing association and co-operative waiting lists.\(^1\)

1.5 While short on detail, the Bill empowers the Secretary of State to make changes through secondary legislation that will impact on the entitlements of millions of people across the UK. We are deeply concerned about the speed of the Bill through the Westminster Parliament and, consequently, the inadequacy of Parliamentary scrutiny. Leaving the detail to secondary legislation opens the way for major reforms to the benefits system with insufficient parliamentary scrutiny.

1.6 Whilst there have been a couple of opportunities for discussion between the Scottish Government, members of its Housing Benefit Stakeholder Advisory Group (which includes the SFHA) and the Department for Work and Pensions, these have been time-limited. They have served to confirm that many fundamental questions about the implementation of the housing costs element of Universal Credit have yet to be answered. This is despite the recent publication of illustrative draft regulations on the housing costs element.\(^2\)

1.7 In April this year, we brought our concerns about the inadequacy of consultation with the devolved administrations to the attention of the Westminster Parliament’s Scottish Affairs Committee. We have included the text of our correspondence in an annex to this evidence. Given that the Bill threatens to work against many of the Scottish Government’s policy objectives, including those relating to the alleviation of homelessness and tackling poverty, we recognise that this will be of particular concern to the Committee.

1.8 The SFHA considers it vital that any reforms must take account of the interaction between devolved and reserved powers. Changes and restrictions to Housing Benefit

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\(^1\) Statistics supplied to SFHA by the Scottish Housing Regulator (5 July 2011) based on data in the 2009-10 Annual Performance and Statistical Return

could impact on demand for housing, levels of indebtedness, and potentially increase homelessness. A number of the changes proposed to welfare benefits, including the Universal Credit proposal, have the potential to exacerbate this possible impact. All of this has implications for matters of housing policy devolved to the Scottish Parliament.

1.9 The SFHA has responded to all of the UK Government’s consultations on welfare reform, including the consultation paper which preceded the White Paper, 21st Century Welfare. In our response, we posed the question, why do we need a welfare system in the UK? We feel that the answer to this question is straightforward: in an economy which expects the majority to support themselves through earnings, state intervention is required to provide a safety net to those whose income is threatened. The primary threats to income are: unemployment; relationship breakdown; illness; ageing; pregnancy/childcare responsibilities. Threats to income impact upon the quality of people’s day to day lives but the first and foremost danger is to the roof over their heads. Every citizen has a basic human right to shelter.

1.10 The SFHA’s principal concern is to support our members in seeking to prevent and alleviate homelessness. This includes ensuring that even the most vulnerable living in the communities in which our members operate can sustain their tenancies. Consequently, the SFHA considers it a priority to examine any proposed changes to the welfare system that could have a detrimental impact upon tenants and thus undermine our members’ work.

1.11 The SFHA agrees that the welfare system is too complex and in need of radical reform. In our view, successful reform requires extensive debate with all of the key players, careful consideration of the detail, and sufficient investment to ensure fairness. Given the prevailing economic climate and the earlier proposals to change Housing Benefit and other welfare benefits, the SFHA is not convinced that sufficient funding will be made available for the proper implementation of the proposed unified benefit. We also have grave concerns about the pace of developments since May last year and specifically, about the speed with which the decision about Universal Credit was announced following the close of the 21st Century Welfare consultation.

1.12 The SFHA agrees with the Social Security Advisory Committee (SSAC) that:

“Rapid cuts made in order to reduce expenditure could further distort the system and make wholesale rational reform of the welfare system even harder in the longer term. The speed with which some of the changes are being designed and implemented also leaves very little time for the consideration of a holistic view of the social welfare agenda, which for example needs to take account of the impact on housing policy, child outcomes and poverty levels.”

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4 SFHA (2010), Evidence to the Commons Select Committee on Work and Pensions. Available at http://www.sfha.co.uk/component/option,com_docman/itemid,106/gid,651/task,doc_download/ (accessed 1st November 2011)
5 Announced in the UK Government’s Emergency Budget on 22nd June 2010 and in the Comprehensive Spending Review on 20th October
1.13 The SFHA has given its support to the Scottish Campaign on Welfare Reform’s Manifesto for Change. The SFHA agrees that: “the successive introduction of new benefits with even more conditions attached has resulted in a system so complex people often don’t know what they are entitled to and are frequently plunged into financial crisis every time their circumstances change. The system is expensive to administer and badly underfunded, leaving staff facing impossible demands. It is time to stop tinkering with the system and make some fundamental changes.”

1.14 The SCOWR Manifesto sets out five key principles for welfare reform, all agree and supported by the Campaign’s diverse membership, including the SFHA. These are that we want to see a welfare system which:

- Lifts people out of poverty and provides sufficient for everyone to live a dignified life;
- Respects human rights and treats people with dignity;
- Is simple and easy to understand;
- Enables everyone to participate fully in society;
- Is suitable for Scotland – taking in to account the different legislative and policy framework in Scotland.

2. Summary of our Concerns

2.1 In addition to our general concerns about pace, inadequate scrutiny and absence of attention to consultation responses, we have specific and very serious concerns about the following housing-related aspects of the Welfare Reform Bill:

- the introduction of an under-occupation penalty through both clauses 11 (housing costs element of Universal Credit) and 68 (Housing Benefit);
- the potential for the UK Government to break the relationship between housing costs subsidy and actual rents, which could be introduced via secondary legislation related to clauses 11 and/or 68;
- the potential impact of the overall benefits cap on the housing costs element (clauses 93 & 94);
- the impact of Universal Credit, including the housing costs element, being paid direct to the tenant, which would end the tenant’s right to choose to have housing costs paid direct to their landlord;
- the introduction of a new provision in clause 102 (inserted at the Commons Report Stage) permitting deduction of Housing Benefit (and other benefit) overpayments from earnings.

2.2 We have welcomed the UK Government’s confirmation within clause 43 that they will use the affirmative resolution procedure to agree the forthcoming secondary

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8 As above.

9 As above
legislation relating to specific elements of the Bill, including clause 11 on housing costs. We hope that this will give the UK Government a better opportunity to scrutinise the detail of the forthcoming regulations.

3. Under-occupation Penalty

3.1 Clause 68 is the means by which the Secretary of State will introduce a restriction on the Housing Benefit paid to tenants who occupy a larger property than they are deemed they require, in an attempt to encourage them to move to a smaller property. Clause 11 is intended to achieve the same for the housing costs element of Universal Credit.

3.2 During the Commons Committee Stage, the Minister clarified that the purpose of the measure is not to force people to move but to encourage claimants to take responsibility for their financial decisions. The SFHA contends that this is neither reasonable nor practical and, indeed, is unworkable in the social rented sector, where tenants' options are severely constrained. We contend the actual consequences will be (a) spiralling rent arrears, as households struggle to make up the rental shortfall from already tight resources, and ultimately (b) increased homelessness.

3.3 We also have evidence that, even where there is suitable accommodation available for those under-occupying in the social sector to move to, if it's in the private sector, it may actually cost the Government more, not less. This means that the same household could be treated more harshly in the social sector if they choose to continue to under-occupy than if they moved to a smaller but more expensive rented property that was under the Local Housing allowance limit. We have outlined some case examples of this in Annex 2.

3.4 Our own recently published Welfare Reform impact assessment study has found that:
- Just under a third of working-age tenants under-occupy their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit according to DWP estimates. The number of tenants affected is likely to be somewhere between 24,000 and 31,500. This would cost tenants of housing associations and co-operatives between £13.6 million and £18 million in lost benefits over a year.
- Tenants will be penalised for under-occupying, but they have little option but to do this, because there is a significant lack of one-bedroom properties. 44% of working-age HA/co-op tenants need a one-bedroom property but only 24% occupy

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Across all tenants, 62% need one bedroom but only 34% have this. This represents chronic under-supply.

3.5 Scottish housing associations and co-operatives already seek to make the best use of their housing stock and meet housing needs effectively through their allocation policies and/or Common Housing Registers. We have evidence from an association operating in a rural area that, because vacancies in their area of operation are so scarce, they typically offer properties larger than household size to accommodate changing circumstances of the household. These can include the addition of children through birth or new relationships, the inclusion of older family members no longer able to live independently, and the need to have space to work at home. We also have evidence from other associations, typically working in regeneration areas, which let larger than required properties to those presenting as homeless because housing of a suitable size is in short supply and because larger sizes are available but are in low demand.

3.6 These proposals also threaten to undermine the fabric and cohesion of Scotland’s rural communities. Housing associations and co-operatives have worked hard to protect and support the wellbeing of rural communities by ensuring that working age tenants can remain in those areas by housing them in accommodation large enough to meet their changing needs in a tenancy where an alternative affordable supply simply does not exist. This is now seriously under threat, with the likelihood that properties in small communities will remain vacant if smaller households can not afford to take them on, and that younger people will simply relocate to more urban areas, leaving declining and ageing communities behind them. None of this appears to make best use of existing stock, or to support sustainable and thriving communities. Neither can we assume that any properties freed up will necessarily be the right type, size and location to meet the needs of overcrowded households.

3.7 SFHA supports housing associations and co-operatives in their initiatives to incentivise those who are under-occupying to move to smaller accommodation, where suitable accommodation exists. We are opposed to proposals to introduce a financial sanction on those deemed to be under-occupying, as this will penalise both those who are already in tight financial circumstances and landlords who are already focused upon making the best use of existing stock.

3.8 At various stages of this Bill, calls have been made to exempt disabled people living in adapted properties from any restrictions to Housing Benefit. We support this but we would also urge consideration of the impact of an under-occupation penalty on a whole range of households. Alongside a range of other agencies, we are supporting a package of amendments that seek to achieve this. Further impact information is provided in Annex 3 to this briefing.
4. Relationship between Housing Costs Subsidy and Actual Rents

4.1 We are concerned that under the terms of the legislation as currently drafted, both clauses 11 and 68 could be used to introduce a standard housing allowance for social tenants, with fixed rate payments. We note that, in the Explanatory Notes accompanying the Bill during the House of Commons stages, it stated:

“In the short to medium term, housing benefit for social rented sector tenants….will continue to be based on the actual rents in both housing association and local authority properties” (subject to the new size criteria mentioned in the same section of the Notes) 12

4.2 Whilst it is welcome that assistance with housing costs will continue to be based on actual rents, the use of the phrase “in the short to medium term” rings alarm bells for us. We would be concerned if the concept of a fixed rate housing element for social tenants appeared at a later stage via secondary legislation. The Minister sought to reassure the Commons Bill Committee in this respect, but the potential to introduce a standard housing allowance remains, given the current wording of clause 68 in the Bill. Interestingly, the extract above does not appear in the relevant section of the Explanatory Notes accompanying the Bill through the House of Lords, so there is no assurance, even in the short to medium term about the relationship of housing costs subsidy to actual rents.

4.3 The relationship between the amount of housing costs paid to a benefit claimant and the actual rent is an important one. Housing Benefit and its predecessors have been developed to ensure that any tenant, irrespective of their experience of threats to income, can continue to make rent payments in full. For social landlords, a stable rental income is critical to ensuring that they can continue to access competitive borrowing to assist with building much needed new affordable homes and to maintain existing stock and services to tenants. Any change to this direct relationship between housing costs paid and actual rent has the potential to create spiralling rent arrears, increased homelessness and threaten the financial viability of social landlords.

4.4 As drafted, we understand that both Houses will have the opportunity to see a draft of any statutory instrument relating to Clause 68 and to approve it by resolution. This is welcome, providing sufficient time is allowed for its consideration and for housing industry experts to make representations on the content prior to this.

5. Benefits Cap

5.1 Clauses 93 and 94 introduce a cap on total household benefit paid to working age households. When this was debated in the Commons Bill Committee, it was clarified that the cap will operate by reducing Housing Benefit entitlement where a household’s total benefit exceeds the cap. It was also clarified that the cap will be

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carried forward into Universal Credit, although the impact on the housing costs element was not explained.

5.2 We have outlined in section 4 above the critical importance of retaining a direct relationship between housing support subsidy and actual rents. The proposed operation of the cap will undermine this.

5.3 We have ongoing concerns about the impact that a benefits cap will have upon homelessness in Scotland and right across the UK. The Scottish Government has set an ambitious target that all unintentionally homeless people in Scotland will be in settled accommodation by 2012. Our own impact study suggested that the proposed benefits cap will affect 1,700 tenants in Scotland, but notes that the losses that could be accrued will be significant, at an average of £66-£93 a week. Larger households with children will be most at risk of this measure, and so child poverty may worsen. 13 Our concern is that the impact of the benefits cap in Scotland is to place around 1,700 tenants potentially at risk of homelessness, thus exacerbating an already challenging target.

6. Direct Payment of Housing Costs Element

6.1 Under the current Housing Benefit arrangements, tenants of social landlords have the right to choose to have their Housing Benefit paid directly to their landlord. Currently some 96% of Scottish housing association tenants choose to do so. 14 There is also a provision for a social landlord, where a tenant is in arrears of rent by eight weeks or more, to request that the Housing Benefit is paid directly to the landlord. It is critical that the arrangements that exist currently for direct payment of Housing Benefit to social landlords are preserved in the provisions for payment of the new Universal Credit.

6.2 If the arrangements that exist currently for direct payment of Housing Benefit to social landlords are not preserved for the housing costs element of Universal Credit, the income streams of social landlords risk being significantly reduced. Households that will be eligible to receive Universal Credit will have tightly constrained incomes requiring careful management. Tenants who experience cash flow problems (e.g. due to higher utility bills) may spend the money received on items other than rent. Many tenants in social housing do not have bank accounts, and cannot easily access affordable credit. They may resort to expensive doorstep lenders or even loan sharks in times of difficulty.


14 Hansard (2011), Written Answers to Questions Monday 18th July (Housing Benefit – Scotland). Available at http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110718/text/110718w0002.htm#11071842000014 (accessed 1st November 2011)
6.3 Clause 11 of the Bill as currently worded does not provide any assurance to social landlords that the existing arrangements will prevail under Universal Credit. Indeed, the wording of the Universal Credit White Paper implies that the direct debit system is being viewed as part of the solution.\textsuperscript{15} It is not. The direct debit system cannot guarantee that a landlord will receive the payment. In fact, there is a risk that households on constrained incomes that do have bank accounts, and set up a direct debit for rent payments, could find themselves with insufficient funds to meet the payment on the due date. If this happens, in addition to the rent arrears that will accrue, they will also face significant bank charges for the missed direct debit, especially if the landlord tries to get the payment more than once. So there is a significant risk that both rent arrears and general indebtedness will increase amongst tenants of social housing.

6.4 Significant reductions in rental income will constrain social landlords’ abilities to repay the private finance borrowed to build houses and to fund the maintenance of existing houses. This will result in lenders viewing housing associations and co-operatives as higher risk, thus impacting on the availability and terms of private finance in the future. One lender has already made public its concerns on this point\textsuperscript{16} and the Council of Mortgage Lenders highlighted the same to Members of the House of Commons in the Report Stage debate. In a worst case scenario, the viability of some social landlords may be threatened if rental income reduces very significantly.

6.5 Evidence from our Impact Assessment study\textsuperscript{17} shows that even before benefit reform, 20% of HA/co-op working-age tenants on Housing Benefit say they are “in some financial difficulties”, and 5% are “in deep financial trouble”, while 15% “don’t manage very well”.\textsuperscript{18} We are concerned that if 40% of working-age tenants on Housing Benefit are finding finances difficult to manage before the cuts, the impact on arrears could be very significant.

7. Deduction of Overpayments from Earnings

7.1 At the Commons Report Stage, new provisions were incorporated into clause 102 of the Bill to allow benefit overpayments, including overpayment of Housing Benefit, to be deducted from a claimant’s earnings.

7.2 SFHA is concerned that the clause as currently drafted does not make it clear whether any judicial process would be required for the Secretary of State to serve a


\textsuperscript{17} Littlewood, M (2011) “The Impact of proposed Welfare Reform on HA/Co-op tenants: Final report to the Scottish Federation of Housing Associations”, SFHA. Available at http://www.sfha.co.uk/component/option,com_docman/itemid,82/gid,1288/task,doc_download (accessed 1st November 2011)

\textsuperscript{18} Data obtained from Scottish Household Survey data 1999-2008 and referred to in Littlewood, M (2011) “The Impact of proposed Welfare Reform on HA/Co-op tenants: Final report to the Scottish Federation of Housing Associations”, SFHA as above.
notice of earnings arrestment. If the intention of the new provision is that judicial process would not be required, then we would find this excessive and unduly punitive.

7.3 Clarity is also required about the amount of administration charge that an employer could make in process such an arrestment.

8. **Affirmative Resolution Procedure**

8.1 SFHA has been concerned that the wording of some of the Bill gives the Secretary of State too wide a power to introduce a major restructuring of the benefits system without detailed parliamentary scrutiny. As currently worded, major changes could be introduced via secondary legislation to the calculation and payment of Housing Benefit and the housing costs element of Universal Credit for tenants in both the private rented sector and the social rented sector.

8.2 Such changes have the potential to affect the ability of significant numbers of tenants to pay their rent. These will not only increase rent arrears and homelessness, but will also impact on the ability of housing associations and housing co-operatives to borrow money to build new homes and to maintain existing housing stock.

8.3 We therefore welcome the amendment already made to the Bill which adds provision to clause 43 to ensure that the detailed regulations relating to specific clauses of the Bill (including clause 11 on housing costs) will be subject to the affirmative resolution procedure. We would add the caveat that there should be sufficient time prior to the scrutiny of such regulations in each House for housing industry experts and others to make representations on the content.

9. **Concluding Comments**

9.1 We have outlined above our serious concerns about the potential impact of specific elements of the Welfare Reform Bill on housing policy and practice in Scotland. Our sister federations will have briefed on the potential impact in other parts of the UK. SFHA seeks to assist and support Scottish housing associations and co-operatives in preventing and alleviating homelessness across Scotland. Aspects of this Bill as currently drafted have the potential to undermine this by increasing rent arrears and, ultimately, homelessness. It also has significant potential to reduce the revenue streams which social landlords rely upon to build much needed new homes and maintain the existing housing stock.

9.2 SFHA agrees with Professor Kenneth Gibb of Glasgow University, that: “if the long term goal is to move to a much simpler universal type allowance with an embedded housing allowance within it…..then the shift from one system to the new one has to be managed and the transition made acceptable to all parties……..Housing Benefit on this scale directly affects the poorest in society but
also the very bodies whose purpose is to provide aid and support to those people. If the outcome of reform is to make private finance even less accessible [for housing investment] it will be self defeating.”

9.3 We urge the Committee to take account of our evidence during the Scottish Parliament’s scrutiny of the Welfare Reform Bill.

SFHA
1st November 2011

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ANNEX 1

TEXT OF SFHA’S CORRESPONDENCE WITH THE SCOTTISH AFFAIRS COMMITTEE

Ian Davidson MP
Chair
Scottish Affairs Committee
7 Millbank
House of Commons
London
SW1P 3JA

8th April 2011

Dear Ian

As you are aware, SFHA has been lobbying extensively around the changes proposed for Housing Benefit and on some of the provisions relating to housing costs in the Welfare Reform Bill. We have serious concerns about the potential impact of some of the key proposals and about the process being followed. We are certain that the Scottish Affairs Committee will want to look into the issues we are raising.

There is a significant risk that some of the proposals will dismantle the safety net for households whose income is threatened by unemployment, low wages or disability. This will have a considerable impact upon the income of Scottish housing associations and cooperatives, and on their capacity to repay loans, to undertake necessary repairs and renewals and to improve energy efficiency in their properties. You will have noted many of these points in briefings to MPs from Scottish constituencies.

We know that the Convention of Scottish Local Authorities has been conducting similar lobbying.

We have been astonished both by the pace at which the Coalition Government is driving the welfare reform agenda and by the marginalisation of the interests of the devolved administrations. Whilst the Universal Credit White Paper made a commitment that the Government “will work closely with the devolved administrations, providers and lenders in...
developing the new system [for payment of housing costs], we see no evidence of this. The decision to press ahead with Universal Credit has been rushed and could not possibly have given any consideration to the plethora of responses submitted by representative bodies from across the UK.

We are now well into the Committee scrutiny stage of the Welfare Reform Bill. Scottish MPs on the Committee have referred to the Scottish dimension and we have taken the opportunity to submit written evidence and to lobby the Scottish MPs ahead of relevant clauses being discussed. However, the SFHA has been denied the opportunity to give oral evidence. We understand that this is due to the compressed time allocated to oral evidence. However, a range of organisations based in England have had the opportunity to do so.

Given the potential impact of the Welfare Reform Bill provisions on the policies of the devolved administrations – acknowledged in the White Paper, we would expect there to be comprehensive consultation with the Scottish Government. It is our understanding that this is not the case.

We are drawing this to the attention of the Scottish Affairs Committee as we are certain that you will want to look into this matter. We are taking this opportunity to enclose a copy of our written evidence to the Bill Committee.

As you will be aware, we lobbied Scottish MPs ahead of the Committee of the Whole House scrutiny of the Scotland Bill. We noted that the Scotland Bill Committee of the Scottish Parliament is recommending that:

- a new inter-governmental committee should be created to review the impact any welfare proposals; and
- the Scottish Parliament call for a formal UK commitment to consult devolved institutions on tax and benefit reform and any interaction with devolved responsibilities.

Our primary objective is to ensure that the impact of the UK Government’s welfare reform agenda on the housing and social policies of the devolved administrations are discussed and taken into account.

We would therefore wish to see the UK Government go beyond a “UK commitment to consult” and to put in place an obligation to consult the devolved administrations about the principles and administrative arrangements in respect of any reform proposal that interacts

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20 Universal Credit: welfare that works, DWP November 2010, page 20, paragraph 31
with devolved responsibilities. We invite you to consider this and the other issues we raise above in the Scottish Affairs Committee and to bring these matters to the attention of the House.

Please do not hesitate to contact me (mtaylor@sfha.co.uk) or my Policy Director, Maureen Watson (mwatson@sfha.co.uk) if you wish further information or clarification about the issues we are raising.

Yours sincerely

Dr. Mary Taylor
Chief Executive

Cc: Nick Bennett, Community Housing Cymru
    Chris Williamson, Northern Ireland Federation of Housing Associations
    Sheila Gilmore MP
    Anas Sarwar MP
    Margaret Curran MP

Encl. Evidence to Welfare Reform Committee
CASE EXAMPLES WHERE SUITABLY Sized ALTERNATIVE ACCOMODATION IN
PRIVATE RENTED SECTOR WILL COST MORE IN LHA THAN TENANT REMAINING IN SOCIAL SECTOR

All of these real life examples have been provided to SFHA by Albyn Housing Society, a housing association operating in the Scottish Highlands.

Each case shows that, if the under-occupying tenant were able to find smaller accommodation in the private rented sector, the Local Housing Allowance payable would be more expensive than the full Albyn rent for the property being under-occupied.

1. Mr & Mrs M who live in the North of Highland in a 5 bedroom property which Albyn built specially for them in 2006. Mrs M is in a wheelchair and when they lived previously in Council accommodation Mrs M slept on the living room floor for 12 years. The family have 3 grown up sons living with them. One has severe learning disabilities, another has some special needs. In theory the family will be under-occupying by one bedroom which could result in a 10-15% reduction in their Housing Benefit. This will be in addition to any non-dependant deduction that is applied.

(Monthly Albyn 5 bed Rent £365.13 : LHA 4 bed limit £694)

2. Miss A is under 35 and lives in a 3 bedroom Albyn property in which she had a joint tenancy with Miss C, both receiving non-residential floating housing support provided by Key Housing Association. Sharing the home did not work out and Miss C has moved out leaving Miss A under-occupying by two bed spaces and consequently facing a potential cut to Housing Benefit of 20 -25%. Miss A would be extremely vulnerable in private sector shared accommodation. Albyn has been unable to transfer her to smaller accommodation to date due to lack of available supply in a suitable area.

(Monthly Albyn 3 bed rent £315.65 : LHA 1 room limit £275 / 1 bed limit £375)

3. Mrs L lives in her family home which was bought by Albyn under the Scottish Government’s Mortgage to Rent scheme to avoid them becoming homeless through repossession. It is a 3 bedroom property and her son, who has learning difficulties and Tourettes Syndrome, lived with her until he moved to a home on his own. Her daughter is staying with her at present but is looking to move nearer her work in Inverness. When her daughter leaves Mrs L will be under-occupying by 2 bedrooms and will potentially lose 20 – 25% of her Housing Benefit.

(Monthly Albyn 3 bed rent £299.93: LHA 1 bed limit £375)
4. Mr & Mrs P lived in a 3 bedroom Albyn property with their two sons. Both sons have now moved out to live independently and the family are now under-occupying by 2 bedrooms.

   (Monthly Albyn full 3 bed rent £319.49 : LHA 1 bed limit £375)

5. Mr B is deaf/blind and lives in a 4 bedroom Albyn property with his 2 carers who sleep over and use a bedroom each. He was originally housed in this property as a result of government policy for the re-provisioning of clients from long term institutional hospital care into the community, in partnership with the health service. He originally shared this property with another tenant with learning difficulties but this did not work out due to Mr B's challenging behaviour. Mr B's tenancy was converted to a single tenancy. Mr B is now under-occupying by 1 bedroom and could potentially lose 10 – 15% of his Housing Benefit.

   (Monthly Albyn full 4 bed rent £382.92 : LHA 3 bed limit £550)

6. Mrs R lives alone in a 3 bedroom property since her son and daughter have grown up and left home. She is still of working age but does not work and receives full Housing Benefit. Mrs R stands to lose 20 -25% of her Housing Benefit but there are no suitable 1 bedroom properties in the area where she has lived most of her life. Her son and daughter still visit her regularly to stay.

   (Monthly Albyn full 3 bed rent £315.65 : LHA 1 bed limit £375)
SUMMARY FINDINGS FROM MANDY LITTLEWOOD’S IMPACT ASSESSMENT STUDY FOR SFHA

INTRODUCTION

- The SFHA commissioned and recently published independent research on the potential impacts of Welfare Benefit Reform on tenants and landlords.
- The main aim of the research was to assess the possible impact of different elements of the Welfare Reform Bill including the proposed changes to Housing Benefit and broader changes to different groups of benefits.
- The research also considered possible policy measures to offer savings while reducing the detrimental impact of the reforms.
- The outputs of the research also include a web-based calculator for landlords to use with tenants to assess the impact of benefit reform on them.

PROPOSED WELFARE REFORM

- The scope of the Welfare Reform Bill and associated legislation is considerable, with numerous strands. Although Housing Benefit has the most direct impact on social landlords, all of the potential reforms might impact on tenants and so the impact assessment needs to consider these.
- The welfare reforms announced so far are:

<table>
<thead>
<tr>
<th>Benefit changes</th>
<th>Implementation</th>
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</thead>
<tbody>
<tr>
<td>Up-rating of non-dependent deductions</td>
<td>April 2011</td>
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<tr>
<td>Local Housing Allowance (LHA) is capped based on property size, with a maximum of £400 a week for a 4-bedroom property. The £15 LHA excess is removed.</td>
<td>April 2011</td>
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<tr>
<td>Disabled private renters with an overnight carer may be eligible for an additional room allowance on their Housing Benefit.</td>
<td>April 2011</td>
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<tr>
<td>Changes to Working Tax Credit - a drop in childcare costs paid from 80% to 70% as well as changes to thresholds/tapers</td>
<td>April 2011</td>
</tr>
<tr>
<td>The re-assessment of Incapacity Benefit and Severe Disablement Allowance claimants with the expectation that a further 5% will be found fit for work (saving an estimated £77.7mn a year, net of costs).</td>
<td>April 2011</td>
</tr>
<tr>
<td>Up-rating benefits by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI)</td>
<td>2011-2013</td>
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<tr>
<td>LHA rates will be set at the 30th percentile of local rents (instead of the 50th percentile)</td>
<td>April 2011</td>
</tr>
<tr>
<td>Extend the Single Room Rate for LHA from age 25 to age 35 (HB to</td>
<td>January 2012</td>
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</tbody>
</table>
cover a room in accommodation with shared facilities)

<table>
<thead>
<tr>
<th>Policy Description</th>
<th>Implementation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caps on Housing Benefit based on property size for under-occupying social tenants of working age.</td>
<td>April 2013</td>
</tr>
<tr>
<td>All working-age benefits will be replaced with a Universal Credit with a benefit cap of £350 a week for single people and £500 per week for couples. More conditions and sanctions, also.</td>
<td>2013-1017</td>
</tr>
<tr>
<td>Replacing Disability Living Allowance with Personal Independence Payment, with the aim of reducing the amount payable to working-age claimants by around 20%</td>
<td>2013-2017</td>
</tr>
<tr>
<td>The localisation of the Social Fund and Council Tax</td>
<td>2013-2017</td>
</tr>
</tbody>
</table>

This is a fast-changing and complex policy area, with new announcements about proposed changes being made periodically. Not all the changes are being made as part of the Welfare Reform Bill. For example, the up-rating of non-dependent deductions was part of secondary legislation. Changes to Working Tax Credit were also made through secondary legislation and without a full impact assessment.

THE POTENTIAL IMPACTS

- The analysis is based on benefits data from the DWP, Scottish Government data, APSR data, Scottish Household Survey data and SCORE data. The findings provide some sobering reading:
- Looking across the proposed changes to Housing Benefit, Universal Credit and other benefit reforms, as many as 1 in 5 tenants may have their incomes adversely affected, with some very substantial income losses for some tenants.
- Rates of non-dependent deductions have already been increased significantly by secondary legislation. A household with a non-dependent on the minimum-wage for a 40 hour week will lose £48.45 a week in Housing Benefit - an additional £10.25 a week compared to 2010-11 rates.
- Just under a third of working-age tenants under-occupy their tenancies by at least one bedroom. These households will lose an average of £11 a week in Housing Benefit according to DWP estimates. The number of tenants affected is likely to be somewhere between 24,000 and 31,500 tenants. This would cost HA/co-op tenants between £13.6 million and £18 million in lost benefits over a year.
- Tenants will be penalised for under-occupying but have little option but to do this. There is a significant lack of 1-bedroom properties – 44% of working-age HA/co-op tenants need a one-bedroom property but only 24% occupy one. Across all tenants, 62% need one bedroom but only 34% have this. This represents chronic under-supply.
- Universal Credit will set a cap on benefits to working age households, which will affect an estimated 1% of the caseload – an estimated 1,700 HA/co-op tenants across Scotland. Although the numbers affected are low, the losses are significant, at an average of £66-£93 a week. Larger households will be most at risk of this measure.
• The DWP aims to reduce expenditure on disability benefits from 2013-14 by 20%. Almost one in five HA/co-op tenants and one in six working-age tenants receive Disability Living Allowance so the impact on the sector could be hard. The tenants of specialist providers will be most significantly affected by these cuts.

• 15% of tenants receive Working Tax Credit, of which about 12% have children. The 10% cut in childcare payments will affect many of these tenants. A further 16% receive Incapacity Benefit/Employment Support Allowance and we would expect eligibility to fall by 5%, based on DWP estimates.

• DWP proposes to pay Universal Credit directly to tenants, monthly, in arrears. This poses a significant risk to household budgeting, which could impact on landlord rental income and is likely to affect the confidence of lenders.

• Even before benefit reform, 20% of HA/co-op working-age tenants on Housing Benefit say they are in „some financial difficulties“ and 5% are in „deep financial trouble“ while 15% „don’t manage very well”21. If 40% of working-age tenants on Housing Benefit find finances difficult to manage before the cuts, the impact on arrears could be significant.

• Any cuts to the Social Fund are also likely to affect a tenant’s ability to maintain a tenancy without getting into debt to buy white goods, furniture, homeware, etc.

SFHA
September 2011

21 Scottish Household Survey data 1999-2008