Petition PE1496: Bedroom Tax Mitigation - SFHA

Public Petition PE1496 – Bedroom Tax Mitigation

I am responding on behalf of the Scottish Federation of Housing Associations (SFHA) to your letter of 4th December 2013. We welcome the opportunity to convey our views on Petition PE1496 to the Welfare Reform Committee.

Introduction

The SFHA is the representative body for housing associations and co-operatives in Scotland. Housing associations and co-operatives in Scotland own, manage and maintain 46% of the country’s affordable rented housing stock and 11% of the total stock. This represents 274,996 homes across Scotland.

The SFHA is strongly opposed to the under occupation restrictions (also known as the “bedroom tax”). We have lobbied consistently against the policy since it was first proposed. We are continuing to make representations to the UK Government at every opportunity, seeking to have this unfair and incompetent policy repealed. In the absence of repeal, although we are not opposed to temporary funding, we must emphasise that we need a sustainable, long term solution to the rental shortfall, in order to protect the interests of current and future tenants. It is not simply about the lost revenue arising from rent arrears, but also all of the associated on-costs being incurred by social landlords whilst seeking to support their tenants as far as they can.

Background

At its meeting on 3 December 2013, the Welfare Reform Committee considered Petition PE1496, lodged by Alan Wyllie on behalf of No2BedroomTax Campaign. The Committee agreed to write to a number of organisations (including SFHA) to seek views on the Petition.

The Petition calls on the Scottish Parliament “to urge the Scottish Government to make approximately £50 million available to mitigate all effects of the bedroom tax in Scotland.” Mr Wyllie and the No2BedroomTax Federation approached SFHA prior to submitting this petition, as they were interested in seeking our endorsement of this campaign. For reasons which we will explain in this letter, we were unable to endorse this petition. We are very appreciative that they fully understand our position on this issue.

Required Scale of Mitigation

The issue of ‘bedroom tax’ mitigation is one which SFHA has been addressing for some time. As you will know, we recently gave written and oral evidence to the Welfare Reform Committee in respect of the Govan Law Centre Trust’s Public Petition. During the oral evidence session on 12th November 2013, the witnesses were all asked by Jackie Baillie MSP: “…would the witnesses—individually and
collectively—support the provision of £50 million in the budget, which would deal with a lot of the issues about which we are concerned?”  

Our response made it clear that SFHA was cautious on this issue, because we are not convinced the £50 million figure quoted would cover the full range of costs incurred by Scotland’s housing associations in the wake of welfare reforms, specifically in terms of associated implementation on-costs and administration costs. We emphasised that we would need a far more robust evidential base before we could make a statement about our position on required levels of mitigation funding. However, we stated that we would welcome any further mitigation that could be made available, making clear that, “anything that helps tenants is most welcome”.  

We understand that the £50million figure cited in Petition PE1496 is based upon the 2nd Report of Welfare Reform Committee in March 2013, which showed that whilst the UK Government would save around £45m from April 2013, there would be an annual loss to the Scottish economy of an estimated £50m as a result of the ‘bedroom tax’ with a one-off negative impact of around £29m.  

As was noted in the evidence session on 12th November, this £50m figure was only ever intended to provide an indicative projection of the impact. Subsequent to that, in June 2013, the Scottish Government also produced its own estimate of the total reduction of Housing Benefit payments to Scotland arising from under-occupation restrictions in social rented sector at being £50m, a figure which was based on the preceding Welfare Reform Committee report. However, now that under occupation restrictions have been in place for nine months, the actual cost impacts of implementing welfare reforms such as the so-called ‘bedroom tax’ are becoming clearer. Cumulatively, they are looking likely to be much greater than projected.

COSLA’s own recent cost impacts research work suggests that the implementation of ‘bedroom tax’ in Scotland is likely to cost more than it was ever designed to save. Their calculations suggest that the estimated total cost of implementing the policy will be somewhere more in the region of £58m to £60m.

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1 Scottish Parliament Session 4, Welfare Reform Committee, 12 November 2013 Cols.1099-1100  

2 Scottish Parliament Session 4, Welfare Reform Committee, 12 November 2013 Cols.1099-1100  

3 The annual loss figure is based on an estimate of the actual Housing Benefit lost and the knock-on economic impact.

4 The one-off figure is based on likely administration, re-let and void costs associated with moving tenants plus the costs of tenancy failure including temporary accommodation where moves are not possible. It does not include the moving or other costs of households themselves nor does it consider any wider social costs.


Similarly, our sister organisation, the Northern Ireland Federation of Housing Associations (NIFHA), carried out some financial modelling work earlier this year which showed that implementing the ‘bedroom tax’ policy would cost at least £21m across social landlords in Northern Ireland, simply to achieve a £17m cut in the benefits bill. What this work also showed is that the range of on-costs for social landlords associated with implementation of the ‘bedroom tax’ policy is far greater than any study has thus far been able to quantify.

SFHA is currently working to replicate this financial modelling for the Scottish context. Unfortunately, our conclusions will not be available in time for the Welfare Reform Committee meeting being held on 14th January 2014. However, we hope to have this modelling work completed by the end of January 2014 and we will share our results with the Committee as soon as they are available. What we can say at this point, without prejudicing the finalised financial modelling figures, is that initial calculations suggest that we are looking at a sector-wide cost impact likely to be in the region of £80m over the three years 2013-2016. We therefore do not believe that the mitigation sum suggested by this petition would be sufficient.

Of course, we would welcome whatever additional financial assistance the Scottish Government may be able to provide in terms of transitional assistance for affected tenants. However, we would suggest that anything short of full mitigation of the impacts would only serve to complicate matters still further. What we need is a sustainable, long term solution to the rental shortfall and associated additional costs in order to protect the interests of current and future tenants, and help to support tenants to pay their rent and safeguard social landlords’ revenue income.

**Conclusion**

We have sought to explain our various concerns about the adequacy of the £50m relief which this Petition seeks to have the Scottish Government provide to offset the impact of the ‘bedroom tax’. We have reiterated that the SFHA remains strongly opposed to the so-called ‘bedroom tax’ and we will continue to lobby and make representations at every opportunity for its repeal.

However, while we are not opposed to temporary funding, what housing associations and their tenants in Scotland need is a sustainable, long term solution to the rental shortfall arising from welfare reforms such as the ‘bedroom tax’. Obviously, any temporary revenue support that could be made available to social landlords would be welcome, and would go a long way to helping provide temporary relief of the impacts.

We need solutions which can protect the interests of all current and future tenants and the longer term financial viability of housing associations across Scotland. Petition PE1496 is well-intentioned, but we have serious concerns that the relief required is significantly more than has been calculated to date.
We will be in a position to share with you our own projections about the additional costs incurred by our sector by the end of January. In the interim, please do not hesitate to contact us if you require any clarification of any of the points outlined in the above.

Yours sincerely

David Ogilvie
Policy Manager
SFHA