Local Government and Communities Committee

Homelessness

Submission from the Chartered Institute of Housing Scotland

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world including over 2,000 in Scotland.

Further information is available at: www.cih.org

1. General comments

1.1 CIH Scotland welcomes the opportunity to respond to the Local Government and Communities Committee call for evidence on homelessness. While we are not able to address all of the Committee’s questions directly, the issues outlined below cut across many of the subjects that the Committee is interested in. We are particularly concerned about the following issues and these are explored in greater detail in the main text below:

- Increased financial pressure being put on tenants and landlords as a result of UK Government welfare reform measures increasing the risk of rent arrears and homelessness. This is an issue across the social and private sector and risks undoing some of the progress on homelessness prevention to date.
- Barriers to accessing the private rented sector (PRS), including suppressed local housing allowance (LHA) rates and the proposed introduction of the ‘Right to Rent’ in Scotland.

2. Welfare reform

2.1 The UK Government’s programme of welfare reform has been developing over the last seven years, introducing complex changes to benefit levels and entitlements. A combination of targeted financial mitigation from the Scottish Government, a focus on homelessness prevention and significant investment in support from social landlords has meant that the impact on individual households to date has been minimised as much as possible. This is demonstrated by the fact that despite welfare reform measures, a difficult and often insecure job market and increasing cost of living, the number of households assessed as homeless in Scotland has been steadily declining
every year for the last seven years. During 2015/16 34,357 households were assessed as homeless down from a high of 58,564 in 2008/09.

2.2 However, as further welfare reform measures are introduced and Universal Credit (UC) is rolled out, it is not clear whether this positive trend can be maintained. We welcome the new powers that the Scottish Government is gaining over some aspects of social security and the proposed approach to develop a system for Scotland that is based on human rights, dignity and respect. But we also know that changes to the current system will be complex and costly. It is not clear how much further financial mitigation may be possible.

2.3 There is a significant risk of increased rent arrears and homelessness due to a number of welfare reform measures. Our main concerns are set out below.

The introduction of LHA caps to the social rented sector – impact on temporary accommodation

2.4 The UK Government has announced its intention to cap social tenant’s entitlement to help with their housing costs at the LHA rate for their household size from 2019. LHA rates are currently applied in the PRS and are based on the cost of renting a home in the bottom 30th percentile of the Broad Rental Market Area (BRMA) in which the tenant is located. There are 18 BRMAs across Scotland covering wide and often diverse markets.

2.5 While the majority of mainstream housing tenants will not be immediately affected as social housing rents tend to be lower than LHA rates, tenants in supported housing, including temporary accommodation, will be disproportionately affected because it is significantly more expensive to develop and manage.

2.6 The UK Government has stated that it does not intend to cut funding for supported accommodation but proposes that individual households will only be entitled to claim LHA. Additional funding will be made available to cover costs over and above the basic rate LHA. While the promise of additional funding is welcome, we do have significant concerns with the proposals and the potential impact on supported and temporary housing provision:

- It is not clear how much additional funding will be made available, what Scotland’s share would be or how this would be allocated.
- The nature of temporary accommodation means that people often stay for short periods, sometimes just one or two days. UC claimants who receive a monthly or twice monthly award will often have moved to different accommodation before their award is calculated or paid. This will cause a build up of arrears for tenants and bad debt for landlords making some forms of temporary accommodation unviable.
- Issues remain with the definitions of exempt and specified accommodation which do not reflect the way that some temporary accommodation is provided in Scotland.

1 http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/RefTables/Homelessness201516
2.7 In recent evidence to the Department for Communities and Local Government (DCLG) and the Department for Work and Pensions (DWP)\(^3\), CIH called for the UK Government to:

- Develop a funding framework that reflects the actual costs of providing supported housing, and is flexible enough to respond to the changing needs of the UK’s population.
- Ensure sufficient funds are available through the top up fund to meet costs.
- Ensure that current tenants do not fall into arrears during the transition to any new system.
- Guarantee and protect funding in the long term to provide certainty to existing and planned supported housing developments.
- The proposed system does not fit the funding needs of crisis/emergency schemes that provide very immediate short term support and this must be addressed.

The introduction of LHA caps to the social rented sector – impact on young people

2.8 The other group that will be significantly affected by the introduction of LHA caps to the social rented sector are single claimants under the age of 35 who will only be entitled to the shared accommodation rate (SAR) which is designed to cover the cost of a room in a shared home rather than self contained accommodation.

2.9 There is currently little or no shared accommodation on offer in the social rented sector in Scotland and access to the PRS for a young person claiming benefits can be very difficult. The outcome is an increased risk of homelessness for young people and the possibility that local authorities will be unable to discharge their homelessness duty to young single people because of a lack of affordable options. This could lead to longer stays for young people in expensive and often unsuitable temporary accommodation.

2.10 CIH Scotland recently commissioned research in partnership with the Scottish Government to assess the likely extent of the impact for young people. Interim findings\(^4\) indicate the potential for significant financial shortfalls in mainstream and temporary accommodation. It is estimated that:

- Around 21,000 single social housing tenants under the age of 35 could be affected by the proposals - 14,000 living in mainstream housing and 7,000 living in supported housing.
- These tenants could face up to £22.6 million annual shortfall in their rent.
- While we expect that there will be some exemptions, particularly for those living in temporary or supported accommodation, this has not yet been confirmed.

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\(^3\) [http://www.cih.org/resources/policy/Consultation%20responses/supported%20housing%20funding%20consultation%20final.pdf](http://www.cih.org/resources/policy/Consultation%20responses/supported%20housing%20funding%20consultation%20final.pdf)

\(^4\) [http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/Scotland/The_introduction_of_the_LHA_cap_to_the_social_rented_sector_impact_on_young_people_in_Scotland](http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/Scotland/The_introduction_of_the_LHA_cap_to_the_social_rented_sector_impact_on_young_people_in_Scotland)
2.11 The final report is expected to be published in the summer and will include a more detailed analysis of the impacts and explore options for mitigation that could be adopted by social housing providers or supported by the Scottish Government.

Universal Credit – increasing risk of arrears and homelessness

2.12 There is a growing body of evidence demonstrating significant and concerning issues with the roll out of UC, particularly the seven day waiting period during which time the claimant is not entitled to receive any benefits. The standard waiting time for a new claimant to receive their first payment is around six weeks, providing there are no delays or errors in the application. This process is causing the vast majority of UC claimants to fall into rent arrears from the very start of their claim. Many face severe financial pressures during this time finding it difficult to cover the cost of essentials such as food and fuel.

2.13 East Lothian Council was the first local authority area in Scotland to transfer to full UC service in March 2016. In a Committee report published in December 2016, it set out the extent of rent arrears resulting from UC. The report states that of the 590 tenants claiming UC, 481 (82%) were in arrears. Overall, there was an increase of 12.9% rent arrears for all tenants in 2016/17 but those on UC experienced 22.4% increase in their arrears during this period.

2.14 The report expressed concern that the increase in overall rent arrears could be linked to the additional resources having to be put into collecting rent from UC claimants meaning that staff had less time available to support other tenants. The Committee report also sets out a range of other issues linked to the roll out including, but not limited to:

- Inconsistency in communications with DWP staff;
- Significant use of internal resources to support tenants with their claims;
- Increasing demand for support from other sources such as the Scottish Welfare Fund;
- Increasing referrals to food banks; and
- Reluctance of private landlords to let to UC claimants.

2.15 These factors are not unique to East Lothian and they are causing severe hardship for many tenants across Scotland and the rest of the UK. A Committee report published by Highland Council in February 2017 shows a similar trend with 82% of the 854 households claiming UC in rent arrears.

2.16 The continued roll out of UC in its current form is directly increasing rent arrears and therefore increasing the risk of homelessness. It is also putting landlords’ income at risk. For private landlords, this may mean avoiding tenants who are claiming UC and a revival of the ‘No DSS’ culture. For social landlords, it will mean redirecting resources, increased risk of cuts to existing services, and possibly even risks to future affordable housing development plans.

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6 [http://www.highland.gov.uk/download/meetings/id/71595/item_11_welfare_reform_update](http://www.highland.gov.uk/download/meetings/id/71595/item_11_welfare_reform_update)
2.17 We welcome the Scottish Government’s commitment to use its new powers to introduce flexibilities for UC claimants. Allowing tenants to choose to have their rent paid directly to their landlord will be particularly useful in supporting tenants to manage their money. However, the most damaging aspect of UC is the initial seven day waiting period. We recommend that the Scottish Government continues to put pressure on the UK Government to abolish this initial waiting period.

Universal Credit – impact on temporary accommodation

2.18 A report published by the Glasgow City Integration Joint Board in January 2017 sets out a number of UC issues that are having a specific impact on the Council’s temporary accommodation service. This includes significant financial risks for the service on top of an existing predicted shortfall in income of £1.5 million per year caused by previous changes to the funding framework for temporary accommodation introduced by the UK Government.

2.19 Homeless households should not be in receipt of UC until full roll out within their local authority which is not due to begin in Glasgow until September 2018. However, once a household moves onto UC, it cannot revert back to claiming housing benefit. At the date of publication of the report, Glasgow City Council had accommodated 73 homeless claimants on UC. These cases can arise where a household claiming UC subsequently becomes homeless, where a UC claimant relocates from another area or where a homeless household has claimed UC in error which cannot then be reversed.

2.20 The 73 UC claimants had resulted in a total of £143,833 arrears which was expected to increase over time. There are issues with UC being paid directly to claimants but UC also provides a less generous payment creating more significant shortfalls in rent for homeless households. The report clearly outlines significant risks to homelessness services as a result of UC stating that the current projected annual shortfall of £1.5 million is expected to increase to £4.4 million under the full roll out of UC.

Increase in eviction action by social landlords

2.21 Recent analysis from Shelter Scotland\(^7\) shows a concerning rise in eviction action being taken by social landlords, with local authority evictions (including post-decree abandonment) up 41% since 2013/14 and Registered Social Landlord (RSL) evictions (including post-decree abandonment) up 5%. While evictions should always be used as a last resort, social landlords do have to balance the needs of households in arrears with difficult business decisions. Social landlords ultimately have a responsibility to all of their tenants and are operating in a challenging financial climate.

\(^7\) http://scotland.shelter.org.uk/__data/assets/pdf_file/0003/1365186/Evictions_by_social_landlords_in_Scotland_2012-2016.pdf/_nocache
2.22 While the report does not fully explore the reasons behind the increase in evictions, and we believe more work needs to be done to understand these, it does show that the vast majority of eviction action is taken in response to rent arrears (95% of all local authority evictions and 89% of RSL evictions). We are concerned that reductions in household incomes through welfare reform measures as well as other pressures such as unstable employment, low wages and the rising cost of living are contributing to this increase in evictions.

2.23 While the Shelter report does give examples of landlords who are keeping eviction action down, the general trend is worrying. This is a clear sign that social landlords need more support to be able to manage changing circumstances.

2.24 We would also welcome reconsideration of a tribunal system to deal with disputes in the social rented sector. This issue was consulted on by the Scottish Government in 2013 and while the proposal received wide support, the decision was made to establish a housing tribunal to deal with PRS cases only while social sector eviction cases continue to be heard in the sheriff court. Moving housing cases to a specialist tribunal could potentially benefit tenants and landlord by reducing costs, improving the consistency of decisions and making the system more accessible.

3. **Barriers to accessing the PRS**

**Increasing gap between LHA calculations and actual costs in the PRS**

3.1 The LHA rate is intended to ensure that a person claiming LHA would be able to afford to access a home in the bottom 30% of the market in their area. However, recent research by CIH\(^8\) shows that the way in which LHA is calculated and the current freeze preventing the benefit from increasing mean that LHA is no longer reflective of actual costs in the PRS across large parts of the UK.

3.2 The table below extracted from the report shows the areas where there is a shortfall between the amount of LHA available and the actual cost of a PRS home at the 30\(^{th}\) percentile of the market. It shows particularly significant shortfalls in Aberdeen and Shire.

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\(^8\) [http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Mind%20the%20gap.pdf](http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Mind%20the%20gap.pdf)
3.3 We recommend that the Scottish Government works with the UK Government to review LHA calculations to ensure that benefit levels are reflective of actual costs.

3.4 Our report also calls for the Scottish Government (as well as the Valuation Office Agency, Welsh Government and Northern Ireland Assembly) to publish successive 5 percent rent percentiles (5th percentile, 10th percentile, etc.) for all LHA rates up to and including the 30th percentile. This will increase transparency and encourage the DWP to reconsider LHA rates before they become further misaligned.

Roll out of Right to Rent

3.5 The Right to Rent places a duty on private landlords to check the immigration status of prospective tenants or to take action to remove current tenants if their immigration status changes. RSLs that let their own properties (as many in Scotland do) and tenants who take in lodgers will also be responsible for carrying out the checks. Failure to comply can result in an unlimited fine or up to 5 years in prison9.

3.6 Following a six month pilot, Right to Rent has been rolled out across England and the Home Office has indicated its intention to extend the policy across the rest of the UK.

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9 https://www.gov.uk/penalties-illegal-renting
3.7 We have significant concerns about the increased risk of discrimination associated with the roll out to date. The Right to Rent scheme also creates another barrier to housing for groups who may already be marginalised, placing people at risk of homelessness.

3.8 While the Home Office’s own evaluation\textsuperscript{10} of Right to Rent did identify some instances of discrimination, it concludes that some level of discrimination already exists in the PRS and that no clear correlation could be drawn between Right to Rent and likelihood of discrimination. While it also identified a low level of awareness among tenants and some landlords, this was not seen as a significant issue.

3.9 The Joint Council for the Welfare of Immigrants (JCWI) conducted an independent review of the pilot and published a further report\textsuperscript{11} one year after implementation. The findings show clear evidence of discrimination with 42% of landlords surveyed stating that they would be less willing to rent to someone without a British passport and over half stating that they would be less likely to consider letting to a person from outside the European Union.

3.10 Questions have also been raised about how effective the scheme is. The JCWI report stated that 27% of landlords surveyed did not understand their obligations under the scheme and 49% had not read the Code of Practice. It is not clear whether checks are being carried out consistently. During the first year of operation, only 31 of the 654 individuals who were brought to the attention of the Home Office were removed from the UK.

3.11 The Right to Rent scheme increases the risk of discrimination and creates barriers to accessing the PRS. It places an unreasonable duty on landlords to undertake immigration enforcement work. It does not take into account the new tenancy regime being developed in Scotland and we do not think it should be implemented here. We recommend that the Scottish Government continues to voice its concerns about the scheme to the UK Government and to resist the roll out to Scotland.

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\textsuperscript{10} https://www.gov.uk/government/publications/evaluation-of-the-right-to-rent-scheme