

## WRITTEN EVIDENCE FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

### 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.<sup>1</sup>
- 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.<sup>2</sup>
- 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 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, *21<sup>st</sup> Century Welfare*. In our

---

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

<sup>2</sup>DWP (2011), Illustrative Draft Regulations on the housing costs element of Universal Credit. Available at [http://www.sfha.co.uk/component/option.com\\_docman/Itemid,37/qid,1616/task,doc\\_download/](http://www.sfha.co.uk/component/option.com_docman/Itemid,37/qid,1616/task,doc_download/) (accessed 1<sup>st</sup> November 2011)

response,<sup>3</sup> 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<sup>4</sup> and other welfare benefits,<sup>5</sup> 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 *21<sup>st</sup> 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.”<sup>6</sup>*
- 1.13 The SFHA has given its support to the Scottish Campaign on Welfare Reform's Manifesto for Change.<sup>7</sup> 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.”<sup>8</sup>
- 1.14 The SCOWR Manifesto<sup>9</sup> 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:

---

<sup>3</sup> SFHA (2010), Response to *21<sup>st</sup> Century Welfare*. Available at [SFHA Response September 2010](#) (accessed 1<sup>st</sup> November 2011)

<sup>4</sup> 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/](http://www.sfha.co.uk/component/option.com_docman/Itemid,106/gid,651/task,doc_download/) (accessed 1<sup>st</sup> November 2011)

<sup>5</sup> Announced in the UK Government's Emergency Budget on 22<sup>nd</sup> June 2010 and in the Comprehensive Spending Review on 20<sup>th</sup> October

<sup>6</sup> SSAC (2010), Response to *21<sup>st</sup> Century Welfare*, paragraph 1.5. Available at <http://ssac.independent.gov.uk/pdf/ni-submission-final.pdf> (accessed 1st November 2011)

<sup>7</sup> Scottish Campaign on Welfare Reform (2010), *Manifesto for Change*. Available at <http://www.povertyalliance.org.uk/ckfinder/userfiles/files/campaigns/SCOWR-Manifesto%20FINAL%20%28print%20version%29.pdf> (accessed 1<sup>st</sup> November 2011)

<sup>8</sup> As above.

<sup>9</sup> As above

- 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 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.<sup>10</sup> 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.

<sup>10</sup> House of Commons (2011), Welfare Reform Bill Committee Stage Report, pp. 39-40. Available at <http://www.parliament.uk/Templates/BriefingPapers/Pages/BPPdfDownload.aspx?bp-id=RP11-48> (accessed 1<sup>st</sup> November 2011)

- 3.4 Our own recently published Welfare Reform impact assessment study<sup>11</sup> 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 **£18million** 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 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, 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

---

<sup>11</sup> 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/](http://www.sfha.co.uk/component/option.com_docman/Itemid,82/gid,1288/task,doc_download/) (1<sup>st</sup> November 2011)

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)<sup>12</sup>

- 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 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.<sup>13</sup> Our concern is that the impact of the benefits cap in Scotland is

---

<sup>12</sup> House of Commons, *Explanatory Notes*, p. 46, section 325. Available at <http://www.publications.parliament.uk/pa/bills/lbill/2010-2012/0075/en/12075en.pdf> (accessed 1st November 2011)

<sup>13</sup> 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/](http://www.sfha.co.uk/component/option.com_docman/Itemid,82/gid,1288/task,doc_download/) (accessed 1<sup>st</sup> November 2011)

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.<sup>14</sup> 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.
- 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.<sup>15</sup> 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<sup>16</sup> 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<sup>17</sup> shows that even before benefit reform, 20% of HA/co-op working-age tenants on Housing Benefit say they are "in some financial difficulties",

---

<sup>14</sup> Hansard (2011), *Written Answers to Questions Monday 18<sup>th</sup> July* (Housing Benefit – Scotland). Available at <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110718/text/110718w0002.htm#11071842000014> (accessed 1<sup>st</sup> November 2011)

<sup>15</sup> DWP (2010), *Universal Credit: welfare that works*, page 20, paragraph 31. Available at <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf> (accessed 1st November 2011)

<sup>16</sup> 28 Dash.com, *Housing benefit paid direct to tenants 'our primary concern - Santander*, 30<sup>th</sup> May 2011. Available at <http://www.24dash.com/news/housing/2011-05-30-Housing-benefit-paid-direct-to-tenants-our-primary-concern-says-Santander> (accessed 1st November 2011)

<sup>17</sup> 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/](http://www.sfha.co.uk/component/option.com_docman/Itemid,82/gid,1288/task,doc_download/) (accessed 1<sup>st</sup> November 2011)

and 5% are “in deep financial trouble”, while 15% “don’t manage very well”.<sup>18</sup> 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 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*

---

<sup>18</sup> 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.

*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.”<sup>19</sup>*

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

---

<sup>19</sup> Professor Kenneth Gibb (2010), *Joseph Rowntree Foundation’s response to 21<sup>st</sup> Century Welfare*, pp 30-31. Available at <http://www.jrf.org.uk/sites/files/jrf/DWP-welfare-response-Oct2010.pdf> (accessed 1<sup>st</sup> November 2011)

## ANNEX 1

---

### TEXT OF SFHA'S CORRESPONDENCE WITH THE SCOTTISH AFFAIRS COMMITTEE

---

Ian Davidson MP  
Chair  
**Scottish Affairs**  
7  
House  
London  
SW1P 3JA

of

**Committee**  
Millbank  
Commons

8<sup>th</sup> 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 co-operatives, 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]",<sup>20</sup> 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.

---

<sup>20</sup> *Universal Credit: welfare that works*, DWP November 2010, page 20, paragraph 31

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 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](mailto:mtaylor@sfha.co.uk)) or my Policy Director, Maureen Watson ([mwatson@sfha.co.uk](mailto: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

## ANNEX 2

---

### 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 reprovisioning 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)**

## ANNEX 3

### 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:

<b>Benefit changes</b>	<b>Implementation</b>
Up-rating of non-dependent deductions	April 2011
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.	April 2011
Disabled private renters with an overnight carer may be eligible for an additional room allowance on their Housing Benefit.	April 2011
Changes to Working Tax Credit - a drop in childcare costs paid from 80% to 70% as well as changes to thresholds/tapers	April 2011
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).	April 2011
Up-rating benefits by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI)	2011-2013
LHA rates will be set at the 30th percentile of local rents (instead of the 50th percentile)	April 2011
Extend the Single Room Rate for LHA from age 25 to age 35 (HB to cover a room in accommodation with shared facilities)	January 2012
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.	2013-2017
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 £18million 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'<sup>21</sup>. 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

---

<sup>21</sup> Scottish Household Survey data 1999-2008