

# Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux  
www.cas.org.uk



## Housing Benefit Reform

Briefing from Citizens Advice Scotland

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### Summary

- A number of fundamental changes to Housing Benefit and Local Housing Allowance at UK level will impact, and in some cases are already impacting, on claimants and public services in Scotland over the next few years.
- Housing Benefits payments to claimants in Scotland will reduce by around £38 million annually<sup>1</sup>. Reductions in Housing Benefit payments will have a significant impact on local authorities and housing associations in terms of rent arrears, provision of housing, homelessness services, and temporary accommodation. The changes to Housing Benefit are also likely to have an adverse effect on the Scottish Government's 2012 homelessness commitment that "all unintentionally homeless households will be entitled to settled accommodation" by December 2012<sup>2</sup>.
- CAS is concerned that the decreasing budgets for housing services and for local authorities, alongside the impact of other welfare changes on housing benefit claimants and the increase in public service demand that this will create, will result in a 'perfect storm' of challenges for housing providers.
- Local authorities and housing associations will need to realign their housing and homelessness policies to meet changes in Housing Benefit policy. Homelessness prevention policies must meet the difficulties that tenants will experience when their payments are reduced while social landlords must plan for the increased demand for one bedroom properties.
- Demand for advice will inevitably increase as people struggle with housing costs. CAS is concerned that cuts in funding for accessing advice provision will lead to delays in accessing advice or to people not receiving the advice that they desperately require. A strategy for mitigating the impact of welfare reform must include the work that advice agencies undertake each and every day to help thousands of clients.

## **Changes to Housing Benefit**

A number of fundamental changes to Housing Benefit and Local Housing Allowance which have been or are going to be introduced across the UK will have a negative impact on Scotland's people and services. Not all these changes were part of the UK Welfare Reform Act, with some changes already coming into force.

It is estimated that approximately 60,000 tenants in Scotland will lose an average £40 per month and around 97% of those claiming LHA will be affected, due to the changes that have been and are going to be introduced<sup>3</sup>.

**Citizens Advice Bureaux (CAB) expect the changes to Housing Benefit, along with other welfare changes, to have a major impact on the need for advice. In 2010/11 Housing Benefit was the third most common benefits issue for bureaux just behind Disability Living Allowance and Employment and Support Allowance. We dealt with 18,769 new Housing Benefit issues in that year – an increase of 8%. Issues for CAB include the claiming process, appeals, payment problems, and renewals/revisions.**

The changes that have been or are to be introduced include the following:

### ***Local Housing Allowance***

From October 2011, Local Housing Allowance (LHA) payments will be restricted to the 30<sup>th</sup> percentile of local rents rather than the midpoint for new claimants. For existing claimants, this change will come into force on the anniversary of their claim. The vast majority of LHA claimants will be worse off as a result of this change.

The expected result of this change is that the average claimant will lose around £10 a week in housing support; the number of affordable properties that are available to these claimants will be restricted; and that housing support for 55,000 households across Scotland will be reduced<sup>4</sup>.

Since January 2012, single people up to 35 years old will now only receive enough Local Housing Allowance to cover sharing a property, not to rent their own home. This is a change from the previous rules which only affected single people under 25 years old. This will reduce the amount of support they are entitled to by up to £2,800 per year. This is likely to affect 4,400 people across Scotland who will lose an average of £22 per week.<sup>5</sup> Scottish Government analysis shows that rooms in shared accommodation are significantly constrained in many areas of Scotland which means that many of those affected will struggle to find alternative affordable accommodation.<sup>6</sup> Many may therefore face arrears and possible homelessness.

Citizens advice bureaux have already advised a number of clients who have been significantly affected by this change. Many of these clients have a health condition that makes sharing accommodation very difficult and therefore face trying to stay in their home with a significant shortfall in their rent.

### ***Underoccupancy – the ‘bedroom tax’***

The Scottish Government estimate that 95,000 households in the social rented sector in Scotland could be affected by the measure to penalise under-occupancy of the social housing stock, losing on average between £27 and £65 per month, (removing over £50 million a year directly from the Scottish Economy) if there is no reaction. The actual impact will depend on the actions of households, although the analyst’s ‘likely case’ scenario suggests that over 40,000 households will run up housing arrears and over 10,000 will face homelessness.<sup>7</sup>

Tenants will be penalised for under-occupying but many will have little option but to do this as there is a significant lack of one bedroom properties in Scotland. The Scottish Federation of Housing Associations commissioned a report into the impact of the welfare reform bill and the report states that 44% of working age housing association/Co-op tenants need a one bedroom property but only 24% occupy one. Across all tenants, 62% need a one bedroom property but only 34% occupy one<sup>8</sup>.

Changes in Housing Benefit payments will have a disproportionate impact on households containing a disabled person. Two-thirds of those affected by the ‘bedroom tax’ (63,000 households) will be households containing a disabled person.<sup>9</sup> Many disabled people, who often require an extra bedroom for carers, will be unable to move and will receive less housing support, which in turn could lead to housing arrears and homelessness.

### **Impact on social housing providers**

Local authorities and housing associations will need to realign their housing and homelessness policies to meet the challenges that changes to Housing Benefit and Local Housing Allowance will introduce. Homelessness prevention policies must meet the difficulties that tenants will experience if their housing benefit payments are reduced while social landlords must plan for the increased demand for one bedroom properties.

CAS is concerned that the decreasing budgets for housing services and for local authorities, alongside the impact of the UK welfare reform changes on housing benefit claimants and the increase in public service demand that this will create, will result in a ‘perfect storm’ of challenges for housing providers. Changes to Housing Benefit rules will lead to more tenants falling into arrears, while landlords facing more uncertain funding streams will find it difficult to borrow funds from lenders to build homes. Local authorities and registered social landlords must therefore plan to mitigate the impacts of the UK welfare reform policy changes on their tenants while dealing with a decrease in income.

Scottish housing services policy will need to reflect the narrowing of housing options available to private sector tenants caused by changes to how the private rented sector Local Housing Allowance is calculated. This could reduce the income of some 55,000 claimants in Scotland, increasing demand for public sector housing, debt advice and homelessness services.

The Scottish Government will need to plan to increase the number of one bedroom properties available in Scotland to avoid housing arrears amongst social tenants. The new under occupancy rules for housing will restrict housing benefit for working

age social tenants who occupy a larger property than their family size, leading to many people downsizing and needing one bedroom properties. For example – a couple whose children have left home and are no longer dependants will be expected to downsize to a one bedroomed property. Currently in Scotland there is a shortage of supply of these types of property and certainly not enough to house the 95,000 households this could affect. Many people will need to find the shortfall in their rent to stay in the same property – possibly from other reduced benefits - which will increase housing arrears. Around two-thirds of those affected will be households containing a disabled person.

The changes to Housing Benefit are likely to have an adverse effect on the Scottish Government's 2012 homelessness commitment. COSLA estimates that if 5% of those affected by the drop in income from underoccupancy in the social rented sector become homeless there will be an annual increase in current homeless levels of 4,700. In the private rented sector, they make a conservative estimate that a further 3,000 additional homeless cases will present in 2011/12 and 2012/13 alone<sup>10</sup>. For councils, the key issue will be how homelessness prevention strategies can assist households affected by changes to secure alternative accommodation before homelessness actually occurs.

## Conclusion

The changes in Housing Benefit that are being implemented, and in some cases are already in place, will have a huge negative impact on people, communities, housing and homeless services, and advice services, right across Scotland. The millions of pounds in lost housing support will increase pressure on services at the exact point in which public spending constraints are reducing the ability of services to respond to increased demand. Many people will struggle to 'top up' their rents from other benefits that are also reducing. The loss in benefits will also lead to a negative impact on local economies across the country.

Scotland needs a strategy to help people and services to cope with the changes to Housing Benefit and the reductions in people's finances. This strategy must include support for the vital work that citizens advice bureaux undertake every day to help thousands of clients deal with these changes.

## References

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<sup>1</sup> Scottish Government. *Housing Benefit changes: Scottish Impact Assessment*. January 2011. Available online: [www.scotland.gov.uk/Resource/Doc/1035/0112571.doc](http://www.scotland.gov.uk/Resource/Doc/1035/0112571.doc) [Accessed 7 October 2011].

<sup>2</sup> The Scottish Government. *Homes Fit for the 21st Century: The Scottish Government's Strategy and Action Plan for Housing in the Next Decade: 2011-2020*. February 2011. Available online: <http://scotland.gov.uk/Resource/Doc/340696/0112970.pdf> [Accessed 7 October 2011].

<sup>3</sup> Scottish Government. *Overview of Analytical Work on Welfare Reform*. August 2011

<sup>4</sup> Scottish Government. *Housing Benefit changes: Scottish Impact Assessment*. January 2011. Available online: [www.scotland.gov.uk/Resource/Doc/1035/0112571.doc](http://www.scotland.gov.uk/Resource/Doc/1035/0112571.doc) [Accessed 7 October 2011].

<sup>5</sup> Scottish Government, *Evidence on the impact in Scotland of increasing the shared accommodation rate age threshold to 35*. June 2011

<sup>6</sup> Ibid.

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<sup>7</sup> Scottish Government, *A note on the “Distributional Effect” of the House of Lords amendment of the Welfare Reform Bill regarding under-occupancy of social sector stock*. January 2012

<sup>8</sup> Scottish Federation of Housing Associations. *The impact of proposed Welfare Reform on HA/Co-op tenants*. June 2011

<sup>9</sup> Inclusion Scotland, *Welfare Reform Briefing*, September 2011

<sup>10</sup> COSLA. Memorandum submitted by the Convention of Scottish Local Authorities to House of Commons Welfare Reform Bill Public Committee April 2011 Available online: [www.publications.parliament.uk/pa/cm201011/cmpublic/welfare/memo/wr53.htm](http://www.publications.parliament.uk/pa/cm201011/cmpublic/welfare/memo/wr53.htm) [Accessed 7 October]