

Citizens Advice Scotland

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



Submission from Citizens Advice Scotland to the Infrastructure and Capital Spending Committee Scrutiny of the Scottish Government's Spending Review 2011 and Draft Budget 2012-13

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- Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.
- Citizens advice bureaux in Scotland helped clients with almost 550,000 new issues in 2009/10 – almost 1,500 new issues for every day of the year. Over 270,000 clients brought new issues to a bureau over the year.
- In 2009/10, Scottish bureaux achieved a financial gain of almost £116million for clients based on funding of £14.8million (including £6.8million in core funding). This means that CAB clients were better off by £17 for each £1 of core funding given to bureaux.

Summary

- The Housing and Regeneration budget will decrease, in cash terms, from £389.6 million in 2011-12 to £272.7 million in 2014-15, a decrease of 30%. The reduction for the next financial year is the second largest real terms reduction in the Scottish Budget – £96.1 million or 24.7%. This represents a significant decrease from the 2009/10 budget of £448 million. The reduction may impact on a number of Scottish Government targets, including that of building 30,000 new affordable homes over the next five years.
- The UK Welfare Reform bill will have a significant impact on housing and homelessness services in Scotland during the lifetime of the Spending Review. However, the effects of the Bill are not considered within the Review.
- CAS is concerned that the decreasing budgets for housing services and for local authorities, alongside the impact of the UK Welfare Reform bill 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.
- We welcome the Scottish Government increasing funding for fuel poverty measures in Scotland. However, a number of factors will combine to increase fuel poverty across Scotland in the coming years, meaning that this area of spending must continue to be a priority.
- Demand for advice will inevitably increase as people struggle with housing and fuel 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. Citizens advice bureaux in England have received average cuts in funding of 10% from local authorities, which has led to a drop of 7% in the number of people they have been able to advise this year.

Housing services face one of the largest decreases in planned expenditure

1. Overall, the Housing and Regeneration budget is proposed to have the second largest real time reduction of Level 2 budget headings in 2012/13 – a reduction of £96.1 million or 24.7%. Over the Spending Review period, the housing and regeneration budget line will reduce from £389.6 million in 2011/12 to £272.7 million in 2014/15 – a reduction of 30%¹.

2. Within the Housing and Regeneration budget, funding available for new housing supply will fall from £268.5 million in 2011-12 to £155.31 million in 2012-13 (a 42% reduction) and further decrease the following year. Planned expenditure on Supporting Vulnerable Groups will decrease from £57.2 million in 2011/12 to £32.2 million in 2012/13 (a 44% reduction)².

The reduction in budget will threaten the Scottish Government's affordable homes target

3. The Scottish Government has a manifesto commitment to 'build over 6,000 new socially rented houses each year'³. There have been doubts expressed across the housing sector, including Shelter, Scottish Federation of Housing Associations, and the Chartered Institute of Housing, whether this target can be achieved within the reduced budget. The Scottish Government has since reaffirmed its commitment to the affordable homes target despite the reduction in spending on housing and regeneration. CAS believes it is imperative that affordable homes continue to be built for the many that require them and that potentially vulnerable tenants are not left in unsuitable housing.
4. The reduction in the Housing and Regeneration budget of £60 million between 2009/10 and 2010/11 coincided with a reduction in the number of homes started by housing associations. Figures from the Scottish Government show that housing associations started 6,549 homes in 2009/10 and 4,656 in 2010/11⁴. Whilst a number of factors influence new home building, it is a concern that the further reduction in the budget will have a further impact on the number of affordable homes built in Scotland. According to the Spending Review, funding available for new housing supply will fall from £268.5 million in 2011-12 to £155.31 million in 2012-13 and further decrease the following year⁵.
5. If the target is not met, the housing options and choices available to social landlords and tenants will continue to decrease. Owner-occupier households in 1961 accounted for around a quarter of the housing stock, by 2010 this had increased to 65% in 2010. Through the Right to Buy legislation of 1979 nearly half a million public sector properties have been sold and as a result the social rented sector in Scotland has decreased⁶. While the private rented sector has shown small but consistent growth from 5% in 1999 to 11% in 2010, this has been mirrored through the decline in the social rented sector from 32% to 23%⁷.
6. This trend has inevitably increased the number of people waiting for social housing, as decreasing the supply of affordable housing does not necessarily decrease the number of people that need it. Applications held on local authority housing lists in 2010 were 198,754⁸. There are also thousands of people who are inappropriately housed in homes that are not suitable for their needs and circumstances.

Fundamental changes in UK welfare reform policy and legislation will have significant implications for Scotland

7. A number of fundamental changes to Housing Benefit (through the UK Welfare Reform bill) and Local Housing Allowance at UK level will impact on claimants and public services in Scotland over the next few years, yet the Spending Review does not appear to take them into consideration. These changes include:
 - Housing Benefits payments to claimants in Scotland will reduce by around £38 million annually⁹. 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. Local authorities stand to deal with the effects of this loss in housing support alongside drops in income if the Housing Benefit caseload reduces. The changes to Housing Benefit are also likely to have an adverse effect on the Scottish Government's 2012 homelessness commitment that by December 2012, "all unintentionally homeless households will be entitled to settled accommodation"¹⁰.
 - From October 2011, **Local Housing Allowance** payments will be restricted to the 30th 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 expected results 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 reduced¹¹.
 - From April 2012, single people up to 35 years old will only receive enough Local Housing Allowance to cover **sharing a property**, not to rent their own home (from the current 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 7,500 people across Scotland and may force many to find shared accommodation or face arrears and possible homelessness¹².
 - 110,000 households claiming Housing Benefit where tenants are considered to be **underoccupying their homes** will receive an average cut of £13 a week. 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 and across all tenants, 62% need one bedroom but only 34% occupy one¹³.
8. A series of Parliamentary Questions asked the Scottish Government what estimates it had made of the financial impact of the proposed UK Government welfare reforms on the Scottish Government budget and on local government expenditure on (a) housing, (b) social care and (c) other areas. The answer was that "The UK Government has not provided sufficient detail on the implementation of its proposed welfare reforms for the financial impact on future

Scottish local government expenditure to be known. The Scottish Government has made repeated requests to the UK Government for further detail and will continue to press for this to be made available". A similar answer was given in relation to the Scottish Budget¹⁴. There is therefore a lack of clarity and detail about the impact of the current welfare reforms on public services and budgets in Scotland – however, it is clear that the impact will be significant and will be felt in the near future.

9. The Fraser of Allander Institute has stated that that benefit cuts will result in £2 billion being taken out of the Scottish economy by 2014-15 and they expect this to "contribute to the weak growth of household spending" and that "our fear is that the greater welfare spending cuts may dampen growth in 2012"¹⁵. An estimated £1 billion of this £2 billion will be from disabled people and their families¹⁶. CAS believes that the Scottish Government's 'Solidarity' National Indicator 'To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017' is being threatened by the changes the Welfare Reform bill will usher in. This indicator is already on a 'maintaining' status rather than being achieved as the proportion of income received by those at the bottom of the income distribution has consistently been decreasing between 2004-05 and 2009-10. The reduction in benefits coupled with cuts in services will serve to at best maintain or at worst reduce the income of people within the lowest income deciles.

A perfect storm for social housing providers

10. 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.
11. 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. Change 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.
12. 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.

13. The Scottish Government will need 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 bedroomed 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 110,000 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. 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 problems.
14. 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 alone¹⁷. 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.

We welcome the increased spending on fuel poverty measures – but fuel poverty will continue to increase across Scotland

15. CAS welcomes the increased spending on fuel poverty in the Scottish Budget and the appointment of David Sigsworth as the new Chair of the Fuel Poverty Forum, as well as the progress made by the Energy Assistance Package. We also welcome the Scottish Government's commitment that by November 2016, so far as is reasonably practicable, nobody will be living in fuel poverty in Scotland. However, it is clear that an increasing number of people across Scotland are struggling to pay their fuel bills and reaching that commitment is at risk.
16. Scottish fuel poverty – where a household spends more than 10% of its income on fuel - is running at 32.7% compared with 20.1% in the rest of the UK¹⁸. The average household income spend on electricity and gas in Scotland has nearly doubled in the last five years, from 8% to 14%¹⁹. The recent hike in fuel prices promise to impact on consumers in Scotland more strongly than in the rest of the UK, meaning that this area of spending must continue to be a priority for the Scottish Government.

Cuts in funding for voluntary services and advice provision will lead to delays in advice or to people not receiving the advice that they desperately require

17. One of the impacts of decreased spending on housing services, alongside the effects of the UK welfare reform policy and legislative changes, will be an increase in the demand for advice. As housing services are less able to provide support to their tenants, who will already be affected by changes in Local Housing Allowance and/or Housing Benefit entitlement, it is advice services that stand to deal with the fallout.
18. CAS is concerned that local authorities will concentrate their reduced resources on statutory services at the expense of non-statutory services. Many non-statutory services, including advice, are relied upon by service users. We are particularly concerned about local authority funding to citizens advice bureaux as cuts in funding will inevitably lead to delays in advice or to people not receiving the advice that they desperately require. **Citizens advice bureaux in England have received average cuts in funding of 10% from local authorities, which has led to a drop of 7% in the number of people they have been able to advise this year.**²⁰ Cuts in funding to advice services in Scotland will reduce the number of people that can be helped as demand rises – which will put further pressure on public services.
19. The Citizens Advice service in Scotland provides a free independent advice service across the country. In 2009/10 Scottish bureaux dealt with 188,969 new benefit issues for clients – just over a third of all issues brought to bureaux. Housing Benefit was the third most common benefit problem with 17,378 enquiries and Council Tax Benefit the fourth highest benefit area with 15,292 issues. In addition bureaux across Scotland dealt with 47,516 housing problems (7% of all work) with social housing and mortgage arrears the most common housing problem. Overall, Housing Benefit and Council Tax Benefit are the fifth and seventh most common issues brought to bureaux. Our experience is that changes to benefit entitlement are the number one driver of advice need at citizens advice bureaux, causing advice issues involving appeals, debt, housing arrears, and homelessness.
20. Advice plays a key role in helping people to avoid serious problems and to diminish the impact of such problems when people reach a crisis point. Bureaux are funded to provide this role for hundreds of thousands of clients every year. In 2009/10, citizens advice bureaux in Scotland achieved a financial gain of almost £116 million for clients based on funding of £14.8 million (including £6.8 million in core funding). **This means that clients were better off by £17 for each £1 of core funding given to bureaux.** As well as achieving better social outcomes, advice leads to better financial outcomes for clients. A strategy for preventative spending must include the work that advice agencies undertake each and every day to help thousands of clients.
21. Good advice ultimately saves money – debt and welfare advice is significantly cheaper than homelessness and bankruptcy and the social outcomes for clients are far better. Research by the New Economics Foundation shows that for every

£1 gained through welfare rights advice, an additional £1.70 is gained for the local economy²¹. Advice works and pays for itself in better outcomes and public money saved.

22. Advice is therefore a key component of any strategy for preventative spending. Good advice can prevent outcomes that are expensive for the public purse and are disastrous for the person and families experiencing them, such as homelessness, poor mental health, bankruptcy, and unemployment. Investment in advice saves public money and leads to positive outcomes for clients.

Conclusion

23. As the current welfare system is facing fundamental revision, it is Scotland's public and voluntary services that will need to pick up the pieces - at a time when they are facing huge cuts themselves. Citizens Advice Scotland as an independent frontline advice service believes these changes will have a damaging impact on the people, services, communities, and economy of Scotland.
24. CAS believes the Scottish Parliament must be able to analyse and scrutinise the changes as they are introduced and implemented and to oversee how they affect Scotland's citizens and services over the next few years and look into how processes can be put into place that can mitigate the changes that will affect all of Scotland. We therefore urge the Scottish Parliament to establish a Welfare and Benefits Committee which has a remit to scrutinise the impact of these changes.

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