



Work and Pensions Committee: Enquiry into the changes to the Housing Benefit announced in the Budget

Briefing from Citizens Advice Scotland (CAS)

October 2010

Summary:

- Benefit claimants seeking employment will be penalized as those who are unable to find work within a year will see their housing benefit entitlement reduced further. This is particularly hard hitting for clients when the unemployment rate in Scotland is rising and currently stands at 8.6% of the working age population.
- As a result of the announcements in the June 2010 budget, Local Authorities across Scotland will be paying £26 million less to eligible housing benefit claimants.
- From October 2011 current housing benefit claimants will have to cope with a sudden and extensive drop in their monthly income which will lead to issues in making essential payments such as rent. There is potential for a number of people to be made homeless.
- Eligible claimants will be worse off by an average of £40 a month. The changes will be more detrimental to the financial well being of families who need a larger place to live in.
- Non-Dependent Deductions (NDD) in housing benefit will also increase, leading to rent issues where non-dependents have refused or are unable to pay rent to cover the larger deduction in housing benefit. NDDs already create tension in some families, resulting in pressure on the non dependent to move out of the family home.

Introduction:

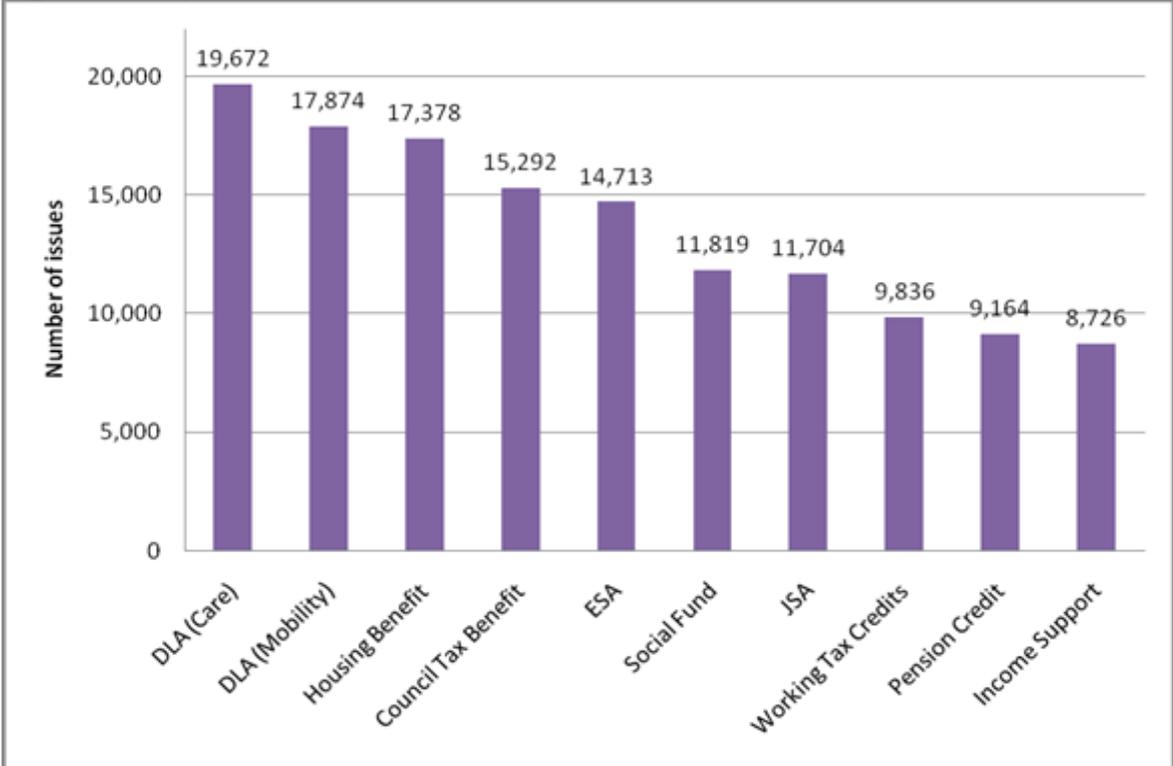
1. Citizens Advice Scotland and its CAB offices form Scotland's largest independent advice network. Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 83 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services throughout nearly 200 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.
2. There are 2,200 volunteers in the service who provide almost 13,000 hours of their time each and every week. Paid staff provide a further 15,200 hours of work each week in management, support, administration and specialist advice work.
3. There are citizens advice bureaux in 30 of the 32 local authorities in Scotland, making the network the only independent advice body in the country with truly national on the ground coverage.

- 4. New and existing service users brought nearly 550,000 issues to bureaux throughout 2009/10 – 45,000 more issues than the previous year. These issues mainly concerned benefits and debt, but also included many other issues concerning housing, consumer issues, relationship problems, legal issues, and problems with utility suppliers.
- 5. A survey by Ipsos MORI in 2009 found that clients have a highly positive view of the services offered by citizens advice bureaux. The survey found that:
 - 98% felt able to trust the service and were satisfied with the service provided
 - Nine out of ten would use the service again.
 - 85% agreed that the Scottish CAB service was the ‘leading advice agency in Scotland’.

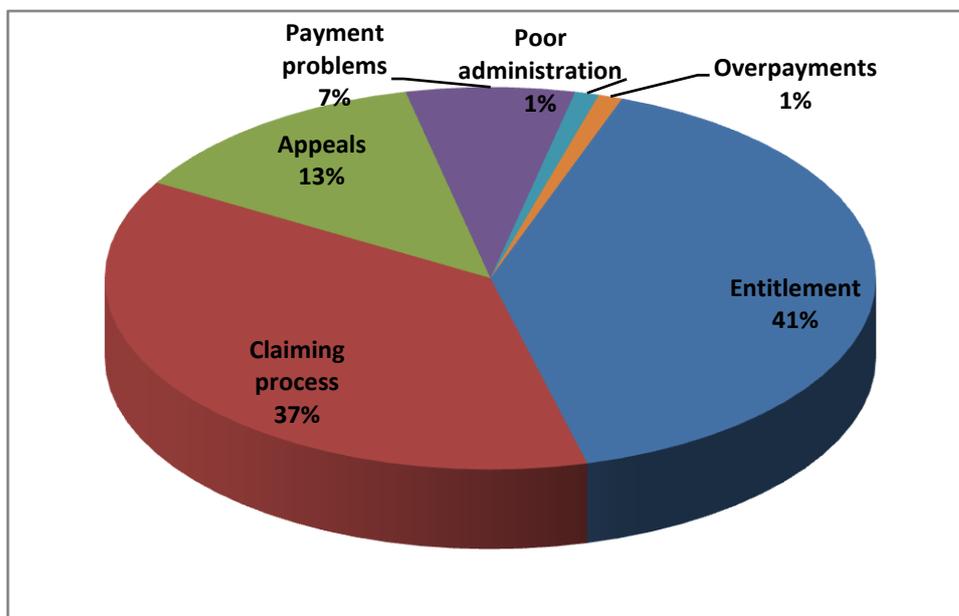
Benefits in Scotland:

- 6. In 2009/10, citizens advice bureaux in Scotland dealt with 188,969 new benefit issues for clients – just over a third of all issues brought to bureaux. That is over 500 new benefit issues for every day of the year. Bureaux helped clients with 27% more benefit issues in last year than in 2008/09, showing the significant effect that the recession had on the demand for advice and the efforts of bureaux in responding to this demand.
- 7. Welfare advice makes up a significant proportion of client concerns and adviser workloads. Figure 1 outlines the 10 most common benefits addressed in client concerns:

8. **Figure 1: Top 10 benefits**



9. Bureaux provide advice on many areas of the benefit process, including advising on entitlement, helping with the claiming process, advising and providing representation in appeals, and dealing with payment and administration problems.



10. Figure 2 shows the main areas of benefit advice, indicating that the majority of benefit enquiries concern entitlement and help with the claiming process. However, a significant number of issues concerned possible problems in the administration of benefits, including appeals, payment problems, and overpayments.

Housing Benefit Changes:

A Scottish Perspective

11. In 2009/10, bureaux across Scotland dealt with just under 15,000 new enquiries relating to Housing Benefit. Almost 10% of all benefit issues brought to bureaux relate to Housing Benefit, making it the second largest overall benefit enquired about by clients.
12. June's emergency budget announced by the Chancellor contained some severe cuts in Housing Benefit. The Budget reveals that from October 2011 Local Housing Allowance (LHA) will be set at 30 per cent of local rents. It is currently set at the median of local rents. This means that in any given area the amount available to pay for housing for eligible claimants will fall significantly. 5.4% of the UK households who will be impacted by these changes live in Scotland.
13. Evidence from DWP's "Impact of Housing Benefit Proposals"¹ report suggests that 97% of LHA claimants in Scotland will be worse off by an average of £10 per week. Nearly 50,000 households in Scotland will be over £500 worse off a

¹ Impacts of Housing Benefit proposals: Changes to Local Housing Allowance to be introduced to 2011-12 (DWP July 2010)

year as a result of these changes. In total almost £26 million less in LHA will be paid in Scotland each year. The impact of the LHA changes varies by local authority area and by housing size. For example, LHA claimants in Glasgow claiming for a four bedroom property will receive £35 less a week or £1,820 less a year. Claimants with one bedroom properties will be less severely affected by the changes.

14. The lack of transitional protection means that these caps will be applied to the existing claims on their next annual review, meaning that some tenants will suddenly find that their rent is completely unaffordable.
15. The City of Edinburgh is in the top ten cities in the UK that will be affected by Housing Benefit changes with 9,660 households worse off as a result.² These cuts will leave tenants falling into rent arrears and increasing debt or being forced to leave their homes and at worst becoming homeless not just in Edinburgh but across Scotland. This will in turn increase the pressure on bureaux in Scotland as more people come in to seek advice in dealing with housing issues, homelessness, and debt.

JSA claimants and housing benefit cuts

16. Jobseekers Allowance claimants who are in receipt of Housing Benefit will also be penalised. From April 2013 after they have been claiming JSA for a year they will have their Housing Benefit entitlement cut by 10 per cent – presumably meaning that they have to move house, become homeless or pay the rent deficit from their £65 a week JSA.
17. There were over 9,700 JSA enquiries in bureaux last year with unemployment still rising and currently standing at over 223,000 people in Scotland. JSA claimants make up 4.4% of the population in Scotland compared to 3.8% for the whole of the UK. The unemployment rate is now at 8.6%, compared with 7.6% for the UK. With unemployment proportionally higher in Scotland³, Housing Benefit award changes will impact harder on Scottish claimants than the rest of the UK, as the pressure of making up 10% of their rent will plunge many of those claimants into financial hardship. .
18. These financial restrictions will apply even where the tenant is fully complying with their JSA requirements to actively seek work. The cut will fall hardest on those who face disadvantage in the labour market, such as people in poor health or with a disability who have failed the medical tests for incapacity benefit and employment and support allowance, and have therefore been moved onto JSA. It will also affect lone parents who will have to claim JSA when their youngest child reaches five years old. Although these clients are permitted to restrict their job search to fit with school hours, the restricted availability of these jobs may mean that they are more likely to stay on JSA for a longer period than other types of claimant.

² Crisis - <http://www.crisis.org.uk/pressreleases.php/403/new-figures-reveal-areas-hardest-hit-by-housing-benefit-cuts>

³ ONS - <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15084>

Non-Dependent Deductions (NDD) and housing benefit changes

19. The Chancellor also announced that the non-dependant deductions (NDD) component of housing benefit is to increase. If a tenant has a non-dependant living with them who is 18 or over (typically an adult son, daughter or elderly relative), a fixed amount is deducted from the tenant's housing benefit as the expectation is that the non dependent will pay a portion of the rent. There are six separate rates of NDDs depending on the earnings level of the non dependant. These rates, which have been frozen since 2001, range from £7.40 to £47.75 a week – therefore the higher the income of the non-dependent, the larger the deduction in housing benefit received by their housing benefit claimant.
20. From April 2011 there will be staged increases in NDDs to bring them up to the level they would have been had they been fully up-rated since 2001. Consequently, housing benefit claimants living with a non dependent will have a larger deduction made on their housing benefit.
21. NDDs are complex both to administer and to understand, and are perceived as unfair as they are applied at the same rate regardless of the rent due. Non payment by the non-dependant is common, resulting in rent arrears. This in turn can cause relationship issues, and put pressure on non-dependants to move out of the family home.

Conclusion:

22. Details on the impacts of the changes to housing benefit will become apparent over the next few months, but it seems highly likely that they will lead to LHA recipients being marginalised into unfit accommodation in the poorer areas, or to it being impossible for families to be accommodated at all. The housing benefit proposals set out in the June budget do not fully take into account the different demographics of Scotland and the devolved aspects of housing benefit reform, such as the key policy areas of homelessness, debt and social services. Any changes to Housing Benefit must factor in a Scottish perspective and the impact on devolved legislation.

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