

Evidence submitted by Chartered Institute of Housing Scotland: 18 March 2019

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

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1. Introduction

- 1.1 The Chartered Institute of Housing (CIH) has already expressed concerns with the erosion of support for housing costs for people living in the Private Rented Sector (PRS) and we very much welcome the Committee's focus on this area of social security.
- 1.2 Changes to the way that Local Housing Allowance (LHA) is calculated is restricting access to large sections of the PRS for people who need financial support. If this situation continues it will further increase pressure on social housing. **Erosion of LHA has implications for people's housing choice, local authorities' ability to discharge homelessness duty and could impede the Scottish Government's rapid rehousing and Housing First agenda.**
- 1.3 Affordability issues in the PRS increase the risk of homelessness for low income households who will be less likely to be able to cover shortfalls from their other income. **Young renters in particular are at risk of homelessness due to lower Jobseekers Allowance payments for 16-24 year olds.**

We recommend that:

- The LHA freeze should be lifted with immediate effect;
- LHA rates should be revised to bring them in line with the actual cost of renting;
- The extension of the Shared Accommodation Rate should be reversed;
- The DWP needs to be fully resourced to avoid administrative errors and delays in Universal Credit payments; and
- DWP must do more to ensure that information and advice given by staff is accurate and consistent.

2. Committee questions

How have changes to the Local Housing Allowance impacted on the private rented sector, particularly for the affordability of rents for young people?

Local Housing Allowance background

- 2.1 Local Housing Allowance (LHA) was introduced in April 2008 as the maximum support for housing costs that would be paid to a household in the private rented sector. At that time, rates were based on the 50th percentile of the market for that type of dwelling within the Broad Rental Market Area (BRMA). This meant that claimants should be able to afford to rent a property in the bottom half of the local market.
- 2.2 There are 18 BRMAs across Scotland and LHA is based on the number of rooms that a household is entitled to under the following categories:
- Shared accommodation rate (SAR) – to cover the cost of a room in a shared home;
 - One bedroom;
 - Two bedroom;
 - Three bedroom; and
 - Four bedroom.
- 2.3 LHA is based on the size of home that the household is entitled to, not necessarily the size of home that the household is renting. For example, a couple will be entitled to LHA for a one bedroom home in their area. If there were no one bedroom homes available or if they

wanted to rent a larger two bedroom home, they would have to make up any difference in cost from other income.

Welfare reform changes to LHA

- 2.4 A number of changes to LHA rates have been introduced since 2011 which have restricted eligibility for those under the age of 35 and changed the way that LHA is calculated. Changes to date include:
- Reducing LHA from the 50th percentile of BRMA rents to the 30th percentile (April 2011);
 - Removal of weekly £15 Housing Benefit excess (April 2011);
 - Extending the SAR from single people under the age of 25 to those under the age of 35 (January 2012);
 - Changes to LHA uprating as follows:
 - In 2013/14 uprating was capped at the previous year's rate plus the Consumer Price Index (CPI);
 - In 2014/15 and 2015/16 it was capped at the previous year's rate plus one per cent; and
 - From April 2016 LHA has been frozen at the 2015/16 rate for four years.

Issues with these changes

- 2.5 Changes to LHA have created a growing gap between support with housing costs (LHA) and actual rents. In many areas, LHA no longer meets the stated policy objective of covering 30% of the market. In addition,
- CPI bears little relation to actual rents so changes to uprating before the freeze was introduced had already broken the link between actual costs and the support available.
 - LHA rates can still go down if rents fall but are then prevented from increasing again if the market recovers creating further affordability issues.
 - Young single renters have been particularly affected by the extension of SAR which assumes that they will continue to share a home until the age of 35.

Impact on affordability

- 2.6 Changes to LHA have had a significant impact on affordability in the PRS for all groups across Scotland. Analysis of the shortfall between LHA and the 30th percentile of rents across Scotland was carried out by CIH in 2016 and updated by the Scottish Government using the same methodology in 2018. The tables below from the Scottish Government analysis show the percentage of homes that would be affordable under the current LHA rate and the weekly cash shortfall between LHA and the 30th percentile¹.
- 2.7 Table one shows that there are only 10 BRMAs where LHA will cover the cost of 30% of the market. The green shades indicate where a greater proportion of the market should be accessible to people claiming LHA and the amber and red areas where less of the market would be available.
- 2.8 It is worth noting that this analysis indicates the proportion of the market where the rental cost of property could potentially be covered by LHA, it does not take into account how many (if any) properties of that size might actually be available or whether the landlord would be willing to let to a tenant in receipt of LHA.

¹ <https://www.gov.scot/publications/annual-report-welfare-reform-follow-up-paper-housing-social-security/>

Table 1: Percentage of the market available at LHA rate 2018/19

	Shared	1 bed	2 bed	3 bed	4+ bed
Aberdeen and Shire	25% - 29.99%	>=30%	>=30%	>=30%	>=30%
Argyll and Bute	25% - 29.99%	20% - 24.99%	25% - 29.99%	20% - 24.99%	25% - 29.99%
Ayrshires	15% - 19.99%	>=30%	>=30%	>=30%	20% - 24.99%
Dumfries and Galloway	25% - 29.99%	25% - 29.99%	>=30%	25% - 29.99%	25% - 29.99%
Dundee and Angus	20% - 24.99%	15% - 19.99%	20% - 24.99%	20% - 24.99%	15% - 19.99%
East Dunbartonshire	5% - 9.99%	25% - 29.99%	5% - 9.99%	10% - 14.99%	10% - 14.99%
Fife	15% - 19.99%	15% - 19.99%	15% - 19.99%	10% - 14.99%	20% - 24.99%
Forth Valley	10% - 14.99%	25% - 29.99%	10% - 14.99%	20% - 24.99%	10% - 14.99%
Greater Glasgow	10% - 14.99%	10% - 14.99%	5% - 9.99%	15% - 19.99%	5% - 9.99%
Highland and Islands	15% - 19.99%	15% - 19.99%	15% - 19.99%	15% - 19.99%	25% - 29.99%
Lothian	10% - 14.99%	<5%	5% - 9.99%	15% - 19.99%	20% - 24.99%
North Lanarkshire	10% - 14.99%	25% - 29.99%	25% - 29.99%	>=30%	25% - 29.99%
Perth and Kinross	15% - 19.99%	5% - 9.99%	10% - 14.99%	15% - 19.99%	10% - 14.99%
Renfrewshire/ Inverclyde	20% - 24.99%	>=30%	20% - 24.99%	25% - 29.99%	20% - 24.99%
Scottish Borders	25% - 29.99%	15% - 19.99%	15% - 19.99%	25% - 29.99%	25% - 29.99%
South Lanarkshire	25% - 29.99%	20% - 24.99%	15% - 19.99%	25% - 29.99%	15% - 19.99%
West Dunbartonshire	25% - 29.99%	25% - 29.99%	15% - 19.99%	15% - 19.99%	15% - 19.99%
West Lothian	10% - 14.99%	15% - 19.99%	5% - 9.99%	5% - 9.99%	15% - 19.99%

2.9 Table 2 shows how much a tenant would have to contribute from other sources of income to cover the shortfall between the maximum LHA allowance and the actual cost of renting a property at the 30th percentile in each BRMA. There is a cash shortfall for the shared rate in every area across Scotland. While the green areas show a fairly modest shortfall (less than £5 in dark green and less than £10 in light green) households already on low income may still struggle to make up the difference each week. **Young renters will find it particularly difficult as Jobseekers Allowance (JSA) is paid at a lower rate for 16 – 24 year olds.**

2.10 Potential affordability issues with larger properties are also clearly depicted in red and amber indicating that larger families will struggle to find a suitable home in the PRS in many areas.

Table 2: Cash shortfall between LHA and the 30th percentile (weekly) 2018/19

	Shared	1 bed	2 bed	3 bed	4+ bed
Aberdeen and Shire	£0.32	£0.00	£0.00	£0.00	£0.00
Argyll and Bute	£1.93	£3.22	£5.47	£6.29	£21.37
Ayrshires	£1.75	£0.00	£0.00	£0.00	£13.70
Dumfries and Galloway	£1.55	£4.23	£0.00	£1.06	£2.86
Dundee and Angus	£5.60	£1.31	£10.07	£9.89	£18.05
East Dunbartonshire	£8.36	£5.75	£10.05	£22.58	£54.74
Fife	£7.79	£4.72	£3.30	£6.29	£9.30
Forth Valley	£7.81	£2.39	£5.76	£11.50	£24.17
Greater Glasgow	£9.97	£11.50	£21.55	£18.03	£81.64
Highland and Islands	£7.70	£6.00	£4.35	£12.31	£0.72
Lothian	£9.98	£23.82	£32.93	£32.16	£33.76
North Lanarkshire	£6.15	£2.30	£4.50	£0.00	£2.42
Perth and Kinross	£5.05	£8.50	£9.13	£18.03	£23.66
Renfrewshire/ Inverclyde	£3.29	£0.00	£2.02	£1.16	£10.57
Scottish Borders	£0.78	£2.79	£2.31	£4.30	£11.13
South Lanarkshire	£0.98	£5.75	£0.00	£5.41	£27.12
West Dunbartonshire	£1.15	£0.00	£0.00	£12.55	£20.17
West Lothian	£7.71	£5.48	£14.64	£14.59	£20.92

- 2.11 In recognition of the affordability issues likely to be caused by freezing LHA, the UK Government introduced Targeted Affordability Funding (TAF) in April 2014 to top up LHA rates in areas with the largest shortfalls. TAF only increases the LHA rate by a maximum of 3% regardless of how significant the gap is. In Scotland during 2018/19 only three BRMAs received the 3% TAF uplift. **The tables above clearly demonstrate that this funding has had little impact on closing the gap between LHA and actual rents in Scotland.**

Affordability for young renters

- 2.12 The tables above clearly show potential access and affordability issues for single people under the age of 35 who are only entitled to SAR. More in depth analysis into affordability in

the PRS has been carried out by Crisis and CIH². The research looked at different household types and incomes (both in and out of work) and calculated the residual income after housing costs. This was then compared to different affordability thresholds:

- The “applicable amount” the amount above which benefits start to be reduced;
- The official UK poverty line which is 60% of median household income; and
- The Joseph Rowntree Foundation (JRF) Minimum Income Standard (MIS) based on what the public thinks households need for a socially acceptable standard of living.

- 2.13 The research showed that young people claiming JSA at the reduced rate will find it particularly difficult to find a property within their price range. While moving into paid employment would potentially increase the proportion of the PRS available, young renters will still struggle to meet the higher standards of living - the UK poverty line and JRF’s MIS.

To what extent have UK welfare reform measures impacted on private landlords’ willingness to let to those in receipt of social security benefits? (Including for example, the impact of Universal Credit, the benefit freeze and the benefit cap).

- 2.14 As outlined above, changes to LHA have resulted in affordability gaps across Scotland including some significant financial shortfalls between LHA and actual rents. This may make renting to benefit recipients financially unviable for some landlords whose properties are just priced out of reach of low income households.
- 2.15 As well as young single renters with little disposable income, claimants affected by the benefit cap may find it particularly challenging to rent privately due to financial restrictions as they tend to be families with children who require larger homes, many of which are out of reach under the current LHA structure. Analysis of households affected by the benefit cap at May 2018 showed that 77% were households with three or more children³.
- 2.16 There is also evidence to suggest that some landlords are choosing not to rent to people in receipt of benefits because of real or perceived issues with the benefit system, and Universal Credit (UC) in particular. Research⁴ has shown that there are significant numbers of landlords deciding not to rent to UC claimants as it is seen as a business risk. While landlords cannot lawfully discriminate against those with protected characteristics, refusing to let to tenants in receipt of benefits remains a grey area. Members of the Scottish Association of Landlords (SAL) have reported issues with:
- Poor communication and Inconsistent or incorrect advice from the DWP;
 - Direct payments not being applied from the start of a claim or tenants purposefully avoiding direct payments;
 - Inability to split payments between landlords when a tenant moves home during a UC payment period;
 - Affordability gap between LHA and the actual rent not being covered by tenants.
- 2.17 Further details of these issues are outlined in SAL’s response to this committee. **CIH Scotland supports SAL’s call to ensure that DWP is well resourced to avoid administrative problems and delays.** This should also help to improve communications channels for landlords and tenants. **It is essential that information and advice given by the DWP is accurate and consistent.**

² Publication pending

³ <https://www.gov.scot/publications/2018-annual-report-welfare-reform-9781787812628/pages/3/>

⁴ https://scotland.shelter.org.uk/professional_resources/policy_library/policy_library_folder/no_dss_report
<https://research.ria.org.uk/wp-content/uploads/investigating-effect-welfare-reform-private-renting.pdf>

The role of the PRS in resolving homelessness

- 2.18 Following recommendations from the Homelessness and Rough Sleeping Action Group (HARSAG) the Scottish Government has committed to moving towards a rapid rehousing and Housing First approach to tackling homelessness. Both of these approaches rely on households being able to access suitable, stable accommodation quickly with support being provided to maintain the tenancy where this is needed.
- 2.19 Analysis carried out to inform local authorities' Rapid Rehousing Transition Plans shows that if current demand and backlog homelessness need was to be met entirely in the social rented sector, lets to homeless households would have to increase by an average of 52%. In Edinburgh. Lothians and Borders, this figure is significantly higher at 84%⁵.
- 2.20 Given that a range of households need to access affordable housing, not just homeless households, it may be difficult in high demand areas for need to be met entirely through social housing lets. **These figures therefore suggest that supply of private rented housing will be essential to the success of rapid rehousing and Housing First.**
- 2.21 The issues outlined in this submission must be urgently addressed if the PRS is to contribute to preventing homelessness and to providing secure accommodation for homeless households to move into.

How does the administration of Universal Credit Housing Costs impact on the ability of tenants to pay their rent and landlords to administer rent payments? (for example, the impact on rent arrears, communication between landlords and the DWP)

- 2.22 Numerous studies, including survey work carried out by the Scottish Federation of Housing Associations (SFHA)⁶ and Citizens Advice Scotland (CAS)⁷ have shown that rent arrears from tenants claiming UC are higher than those for other tenants.
- 2.23 The removal of the one week waiting period and two week transitional Housing Benefit protection for some is welcome. However, the reality is that this does not fully address the issue that rents (both social and private) are charged in advance whereas UC is paid in arrears. **Rent arrears are built into the system and this is causing hardship and increasing the risk of homelessness for thousands of households.**

In all of the above, what improvements could be made to reserved and devolved systems, including the way they interact with each other.

- 2.24 CIH has significant concerns about affordability and access to the PRS. Changes to LHA have increased the risk of homelessness and are restricting access to the PRS. These issues are being exacerbated by the fact that some private landlords are reluctant to let to tenants in receipt of UC. We repeat our recommendations that:
- The LHA freeze should be lifted with immediate effect;
 - LHA rates should be revised to bring them in line with the actual cost of renting;
 - The extension of the Shared Accommodation Rate should be reversed;
 - The DWP needs to be fully resourced to avoid administrative errors and delays in Universal Credit payments; and
 - DWP must do more to ensure that information and advice given by staff is accurate and consistent.

⁵ http://www.ghn.org.uk/wp-content/uploads/2018/06/Rapid_Rehousing_FINAL.pdf

⁶ <https://www.sfha.co.uk/mediaLibrary/other/english/25942.pdf>

⁷ https://www.cas.org.uk/system/files/publications/rent_arrears_oct_2018.pdf