

The Impact of Social Security on Housing in Scotland

Topic Briefing

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CONTENTS

Key points	3
Background	4
Universal Credit	5
Transitioning from Housing Benefit to the Universal Credit	
Housing Element	6
Universal Credit Scottish Flexibilities	7
Other welfare reform issues	9
The benefit cap	9
The bedroom tax	10
The freeze on working age benefits	10
Devolution of social security powers to Scotland	12
Discretionary Housing Payments	13
Conclusion	15

KEY POINTS

- The top reason that people approached Shelter Scotland for help last year was affordability, and we have found that more and more people are struggling with rising housing costs which are exacerbated by the current state of social security as well as stagnant incomes.
- Since 2010, there have been significant changes to the social security system in the United Kingdom, most notably with the introduction of Universal Credit from 2013. Welfare reforms have negatively impacted upon the vast majority of Shelter Scotland's clients and the administration of Universal Credit in particular has put people into financial hardship, and coupled with the benefit cap has made people homeless, which is completely unacceptable.
- There have been changes in Scotland too - under the Scotland Act 2016,¹ new powers over benefits and tax-raising have been devolved and as a result a new Scottish Social Security Agency has been set up to take over the delivery of 11 new benefits. While the only housing-related benefit to be devolved is Discretionary Housing Payments, this change still means that for the first time, Scotland has responsibility for delivering benefits to some of the most vulnerable people in society, and failure to deliver these successfully would result in major hardship.
- The Scottish Government has also been using their limited powers to mitigate two welfare reforms that have had a particular impact on housing affordability: the bedroom tax and the benefit cap. While welcome, Shelter Scotland believes that this has a knock-on effect on their ability to help people who have other housing affordability issues. The mitigation policy around the benefit cap is also unclear and has not prevented people from becoming homeless in Scotland as a result of the cap.
- We know that the transition to Universal Credit has caused concern among landlords in both the private and rented sector, and has led some to be more inflexible in their approach to renting to people on Universal Credit. This unfairly disadvantages people in this situation, and can arbitrarily and unfairly make it harder for people to move on from homelessness.
- Given that welfare reform has undoubtedly contributed to people becoming homeless, both the Scottish and UK Governments should take critical steps to ensure that the social security safety net is set at a level which enables people to access and sustain a safe, secure and affordable home.

¹ [Scotland Act 2016](#)

BACKGROUND

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help. We're here so no one has to fight bad housing or homelessness on their own.

Adequate, reliable and accessible social security is essential to enable people on low incomes to access and afford a decent home. Therefore we cannot overstate the importance of a well-functioning social security net to housing.

Since 2010, the United Kingdom has seen significant changes in the way social security is delivered, with the roll-out of Universal Credit² and the benefit cap being two flagship policies which have had a huge effect on people, and especially their ability to afford their housing costs. We are increasingly seeing the negative impact of Universal Credit on our clients and are concerned that its administrative processes in particular are contributing towards people becoming homeless.

The rate at which working-age benefits are paid has been frozen and this has had a particular impact on the ability of people to manage their living costs and pay for their accommodation. This is unacceptable as any welfare system must protect its citizens from hardship, rather than exposing them to it.

Further changes are afoot in Scotland too: the Scottish Government is in the process of taking over the delivery of 11 benefits, including the main disability payments and Discretionary Housing Payments. How these benefits are delivered will have a direct impact on people's ability to sustain their homes.

This paper provides an overview of the current social security landscape including both devolved and reserved elements of social security, and how they affect housing affordability.

² UK Government (2015); [2010 to 2015 government policy: welfare reform](#)

UNIVERSAL CREDIT

In 2010 it was announced that there would be a revamp of working age benefits and a single benefit called Universal Credit would replace the following six “legacy” benefits:³

- Child Tax Credit
- Housing Benefit
- Income Support
- Income-based Jobseeker’s Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Working Tax Credit

Universal Credit was first rolled out in 2013 in a limited way (referred to as “live service”), where it was offered only to new single-person households without children. This “live service” was intended as a test and learn phase and Shelter Scotland fed back about elements which were most problematic for our clients, such as the five week wait and the often incorrect assessment and payment of a person’s housing costs.

Universal Credit is now being rolled out to all new claimants (referred to as “full service”) and people claiming legacy benefits are also being migrated across to Universal Credit. In October 2018, it was announced that the roll out of Universal Credit would be further delayed and would now not be completed until 2023. However, many areas in Scotland are now on full service Universal Credit and there is a growing body of evidence regarding how it is not working well for many people. Indeed, the National Audit Office recently released a report showing that over 20% of people were not paid the correct amount of Universal Credit on time.⁴

The roll-out of Universal Credit has been beset with problems, most of which are administrative. The initial waiting period of five weeks before the first payment is made (reduced from six weeks in the Autumn Budget of 2017) is especially problematic for people who approach us for help, as they are often facing a period of zero income, and are likely to build rent arrears while they wait for their first payment. The intention of the waiting period was to mirror the way a person would be paid wages if they were in work, however the initial waiting period is longer than this.

³ “Legacy” benefits refer to the six benefits which were replaced by Universal Credit. These are: Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit and Working Tax Credit.

⁴ National Audit Office (2018); [Rolling out Universal Credit](#)

“Universal Credit is the biggest trauma our service’s clients experiencing. No one in our service who is on Universal Credit has had a straightforward experience. It’s causing debt, and the worst poverty and hardship we have seen in 20 years”

A staff member in Shelter Scotland’s South Lanarkshire support service⁵

In the Autumn Budget of 2017, a series of changes intended to address some of the main administrative problems were announced including:

- the removal of the initial seven day waiting period
- increasing the amount a person could ask for as an “advance payment” to a full month’s payment rather than half month, and this would be paid within five days
- increasing the length of time a person has to repay their advance payment loan from six months to a year

While these changes are indeed welcome, we remain concerned that people are still not being paid the right amount on time, that awareness of advance payments remains low, and that the rate of repayment remains too high for many households to manage. All of these factors risk people’s housing security.

Transitioning from Housing Benefit to the Universal Credit Housing Element

Until all households in the UK are fully migrated onto Universal Credit, legacy benefits continue to be paid to eligible households. Despite initial ambitions, it is not anticipated that everyone will be moved off legacy benefits such as Housing Benefit and onto Universal Credit until 2023.

Housing Benefit was usually paid directly to landlords and we have found that the transition to paying the tenant their eligible Universal Credit housing costs and the tenant now being responsible for paying their rent to their landlord has had significant problems. For those who require some help in paying their housing costs, there are indeed options available such as Alternative Payment Options and Scottish Choices, which are explained in more detail below. However, we are concerned that there is a relatively low uptake of these options, and the administration of them is not without problems. They also do not address core issues, such as the initial five week wait for the first payment of Universal Credit, which often automatically puts the household into rent arrears.

⁵ Source: Shelter Scotland (2018), [Response to the Work and Pensions Committee’s inquiry on the welfare safety net](#)

Added to this, most social housing providers and private landlords charge rent in advance. While many try to be flexible in their approach, there is evidence that some private landlords are being put off from letting to low income households on Universal Credit,⁶ partly due to the complications associated with the benefit and the frequent difficulty encountered by Universal Credit recipients in paying rent in advance due to the initial five week wait, and being paid in arrears thereafter.

Concerningly, under the new Private Residential Tenancy in Scotland, there is a mandatory ground for eviction if a person has been in a month's worth of arrears for three consecutive months. With the way Universal Credit is paid in arrears, coupled with the standard five week wait for the first payment, it is likely that many people in the private rented sector who use Universal Credit will always be in some level of arrears, which exposes them to the risk of eviction. There is a discretionary strand to the mandatory eviction ground outlined above, which states that eviction is not mandatory if the arrears are due to a delay or error in the person's benefits. However, from top-level analysis of cases going to the First-tier Tribunal for Scotland (Housing and Property Chamber), very few if any cases are defended on this ground. Given the shortage of affordable homes in Scotland, the private rented sector is crucial to preventing homelessness. People must be adequately supported to stay in this tenure and Universal Credit is key to this. We have reflected these concerns in our response to the Work and Pensions Committee's inquiry into the welfare safety net in December 2018.⁷

Universal Credit Scottish Flexibilities

While Universal Credit remains largely reserved to Westminster and importantly, **the value of Universal Credit is still set in Westminster**, some aspects of the system have been devolved to Scotland, including what is known as the Scottish Choices.⁸ These give people receiving Universal Credit:

- the option to change the frequency of payments to every two weeks instead of monthly
- the option to have their Universal Credit housing element paid directly to landlords

A third Scottish Choice, the option to have the payment split between a couple was planned although has been delayed and has not yet been implemented. However, it appears to be possible for split payments to be implemented through Alternative Payment Arrangements, but these seem to be relatively difficult to apply for and is only considered when:

- the claimant notifies the Department of Work and Pensions (DWP) of financial mismanagement and/or financial abuse
- the claimant notifies DWP that there are domestic violence issues

⁶ Watts, B. and Stephenson, A. (2017); [No DSS report, Shelter Scotland](#)

⁷ Shelter Scotland (2018); [Response to the Work and Pensions Committee's inquiry into the welfare safety net](#)

⁸ Scottish Government: [Social security – Universal Credit \(Scottish choices\)](#)

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- the claimant cannot or will not budget for their own or their family's basic day to day needs

The option to have the housing element of UC paid directly to landlords is a **separate and distinct** measure to the ability of landlords to request direct payments in circumstances of vulnerable tenants where they can prove the tenant will have difficulty paying their rent. As with split payments, the landlord can request direct payments via an Alternative Payment Arrangement, which are delivered by the DWP. The process and operation of these is not changing as a result of the new Universal Credit Scottish Choices.

It is important that Universal Credit works for people, does not arbitrarily put people into hardship and is flexible enough to meet their needs. We are concerned that the initial five week wait for the first payment is putting people into arrears, and people are not being adequately informed of their right to access an advance payment or a Scottish Choice. People must be aware of all choices available to them and be supported to access options which will best meet their needs.

As Universal Credit expands, the migration of thousands more households onto Universal Credit (via both managed migration and natural migration) risks putting people into hardship. Those who are part of the “managed migration” will receive “transitional protection” in the form of cash payment to ensure they do not lose out as a result of migrating, but those who migrate naturally won't receive this. We are concerned that people who do not receive transitional protection are unfairly and arbitrarily disadvantaged and included this in our submission to the Social Security Advisory Committee's inquiry into managed migration in August 2018.⁹

Recommendations

- 1) Whilst we welcome the measures that were introduced in the Autumn budget of 2017, these do not go far enough. The transitional protection provided to the managed migration cohort in particular creates an unfair inequity between groups and this should be remedied.
- 2) Alongside several other Scottish and UK charities and organisations, Shelter Scotland has repeatedly called for a “pause and fix” period for Universal Credit while the administrative problems with the system are addressed.¹⁰ We are particularly concerned about the five week wait for the first Universal Credit payment and the hardship this may put people into, and call for this to be reviewed.

⁹ Shelter Scotland (2018); [Response to the SSAC inquiry into managed migration](#)

¹⁰ Scottish Housing News (2017); [Scottish charities call for halt to roll-out of 'flawed' Universal Credit](#)

OTHER WELFARE REFORM ISSUES

The benefit cap

The benefit cap was first introduced in Welfare Reform Act 2012 and was implemented in April 2013. The policy aim was to ensure that working age people on benefits did not receive more money per week than a working person's average weekly wage. If a household's income through benefits exceeded a certain threshold level, their benefits would be reduced to bring them back down to the applicable threshold level.

When the benefit cap was introduced, the threshold levels (outside of London) were set at £500 per week for couples and households with children, and £350 for people without children. However, these levels were lowered in 2016 to less than £390 and £260 per week respectively. This is a significant and arbitrary reduction in households' income, and a measure which we have found directly threatens people's housing as first benefit to be lowered if a household exceeds the threshold is Housing Benefit (or the housing costs element if the person has moved onto Universal Credit).

With less money provided for housing costs, the household must either source money from elsewhere to cover the shortfall, find cheaper accommodation elsewhere, or build up arrears and risk eviction. To complicate matters further, our experience is that the affected person is often unaware that they have been affected by the benefit cap until their landlord ceases to receive payments or rent arrears start to accrue, especially if they are usually in receipt of Housing Benefit which goes directly to the landlord.

Although the Scottish Government is using Discretionary Housing Payments¹¹ (DHP) to partially mitigate the benefit cap, it is unclear what the policy intention is aside from "partial mitigation" and for what period of time the Government will keep this policy. This means that in the practice, there is huge local variation in how DHPs are awarded to families affected by the benefit cap, in terms of value and duration of the award.

Research by the Scottish Greens has shown that the benefit cap disproportionately affects larger families (especially those with 3 or more children) and lone parent families, of which over 85% are headed by a female.¹² This research also showed that the new lower benefit cap impacted more than 11,000 children in Scotland overall.

¹¹ NB A Discretionary Housing Payment is a payment you may receive at the discretion of your local authority which can help towards housing costs. You can only get it if you are entitled to Housing Benefit or the Housing Costs element of Universal Credit (Source: [Turn2Us](#))

¹² Heap, D. and Johnstone, A. (2017); [The impact of the extended UK benefit cap in Scotland](#)

Shelter Scotland has worked with a number of families affected by the benefit cap, most notably a group of single mothers in Edinburgh who were evicted from their privately rented accommodation due to arrears caused by the benefit cap. These experiences formed the basis of the written evidence we submitted to the Work and Pensions Committee during their inquiry on the benefit cap in September 2018.¹³

Case study:

Amanda* is a single mum based in Edinburgh who became homeless due to rent arrears that accrued as a result of the benefit cap. She and her children have been in a Premier Inn for two weeks. There are no cooking facilities available in her current accommodation meaning she is having to pay for a lot of expensive takeaways, putting her under even more financial strain.

*Name changed¹⁴

The bedroom tax

The removal of the spare room subsidy or “bedroom tax” as it’s often known, was introduced in the Welfare Reform Act (2012) and was enacted in April 2013. This meant that those living in social sector accommodation who were deemed to be under-occupying their homes would face a reduction in their help with housing costs.

The Scottish Government pledged to fully mitigate the reduction for any affected households in 2013 via Discretionary Housing Payments administered through local authorities and continues to do so.

Within the new Social Security (Scotland) Act 2018, provision has been made so that there is a framework for elements of welfare reform such as the bedroom tax to be dealt with “at source” so that the person receives the correct “mitigated” amount of Housing Benefit without having to take any action i.e. apply for a DHP. This is still being worked through by civil servants and has not yet been implemented.

The freeze on working age benefits

In the Summer Budget of 2015, the UK Government announced that it would be freezing working age benefits for four years starting from April 2016, meaning that there would be no uprating of these benefits in line with rises in living costs

¹³ Shelter Scotland (2018); [Shelter Scotland response to the Work and Pensions Committee inquiry on the benefit cap](#)

¹⁴ Source: Shelter Scotland (2018), [Response to the Work and Pensions Committee's inquiry on the welfare safety net](#)

and inflation.¹⁵ This policy has had a huge impact – recent research by the Joseph Rowntree Foundation has found that it has affected 27 million people in the UK and pushed 400,000 people into poverty.¹⁶ In terms of its impact on housing, the policy has inevitably affected people’s ability to afford their housing as Local Housing Allowance is one of the frozen benefits.¹⁷

Scottish Government research from 2018 showed that in practice, the benefit freeze has meant that in many Scottish local authority areas Local Housing Allowance rates are no longer sufficient to cover the full housing costs of living in a property in the cheaper 30% of the market. This therefore undermines the aim of Local Housing Allowance and severely limits access to sufficient affordable properties for people using Local Housing Allowance to help pay their rent.¹⁸ Research commissioned by Crisis has also revealed the concerning link between this policy and homelessness in England.¹⁹

Bearing in mind its detrimental effect, the UK Government has been called upon by many civic and political organisations and individuals (including the House of Commons Work and Pensions Select Committee²⁰) to use the opportunity of the Spring Statement 2019 to end the policy a year ahead of schedule, however did not do so.

Recommendations

- 3) The benefit cap should be abolished, as it is a punitive, gendered and arbitrary policy which disproportionately affects low-income households, and particularly disadvantages women with children.
- 4) The bedroom tax should be abolished. Although it is positive that the Scottish Government is currently fully mitigating the impact of the policy as it is outwith their powers to end it, this is expensive and untenable to do so indefinitely, especially via Discretionary Housing Payments for which there are other demands. We support the Scottish Government considering other options for mitigating the bedroom tax at source, while continuing to lobby the UK Government to abolish the policy entirely.
- 5) The UK Government should lift the benefit freeze, as this has a direct impact on poverty across the UK, and removing it will help to avoid the risk of homelessness for affordability reasons.

¹⁵ NB “Working age benefits” refer to Jobseeker’s Allowance (JSA), Employment and Support Allowance (ESA), Income Support, Housing Benefit, Universal Credit, Child Tax Credits, Working Tax Credits and Child Benefit.

¹⁶ Joseph Rowntree Foundation (2019); [End the benefit freeze to stop people being swept into poverty](#)

¹⁷ NB Local Housing Allowance (LHA) is housing benefit for households living in the private rented sector.

¹⁸ Scottish Government (2018); [2018 Annual Report on Welfare Reform](#)

¹⁹ Crisis (2019); [The Homelessness Monitor: England 2019](#)

²⁰ Field, F. for Public Finance (2019); Families must be rescued from destitution

DEVOLUTION OF SOCIAL SECURITY POWERS TO SCOTLAND

In 2016, it was announced that following the Smith Commission recommendations, further tax-raising and social security powers were to be devolved to Scotland.²¹ This was then enshrined in the Scotland Act 2016 and, in order to enact these social security powers, the Social Security (Scotland) Act was passed in 2018. The social security benefits which were initially devolved to Scotland are:

- Disability Living Allowance
- Personal Independence Payment
- Severe Disablement Allowance
- Industrial Injuries Disablement Benefit
- Attendance Allowance
- Carers Allowance (including new supplement)
- Cold Weather Payments
- Winter Fuel Payments
- Best Start Grants
- Funeral Payments
- Discretionary Housing Payments

A new Scottish Social Security Agency has been set up to deliver the devolved benefits and its service design has purposefully being set up in such a way to differentiate itself from how the DWP and Jobcentres are seen to work in Scotland. In practice, this means that there will be an emphasis on face to face customer service and the option of paper applications. There is also a particular emphasis on introducing an ethos of dignity and respect in the new agency.

While Housing Benefit is not yet devolved, this move away from a digital by default system and towards a system which meets people's needs better is welcome, and we believe that this may encourage social security uptake.

As members of the Scottish Campaign on Welfare Reform (SCoWR), Shelter Scotland engaged with the Social Security (Scotland) 2018 bill process, supporting other SCOWR members amendments. As members of this group, we will continue to monitor the implementation of the devolved benefits.

²¹ Scottish Government; [Social Security](#)

Discretionary Housing Payments

Discretionary Housing Payments (DHPs) were introduced to provide for “when a local authority considers that a claimant requires further financial assistance towards housing costs”²² such as the first month’s rent or short periods of hardship where the person would struggle to pay their rent. DHPs are available to people already in receipt of Housing Benefit or the Universal Credit Housing Costs element. Funding-wise, each local authority is given a block of money from central government for DHPs, which they are able to top up from their own funds.

However, DHPs are now overwhelmingly being used to offset the effects of welfare reform in Scotland. Since 2014, the Scottish Government has been topping up all local authorities’ DHP funds as part of their pledge to entirely mitigate the bedroom tax. DHPs are also now available to people who have been affected by the benefit cap. Despite this help, we find that many people struggle with the requirement to re-apply regularly. In addition, and especially in benefit cap instances, people are only able to access help for a limited period of time and this receding help can contribute to people losing their homes through rent arrears. In addition, it is currently often difficult for people to access DHPs for non-welfare reform reasons as the DHP pot is quickly exhausted.

DHPs are now in the process of being devolved to Scotland, however the Scottish method of delivery is unlikely to change from the current model. During the passage of the Social Security (Scotland) bill, Shelter Scotland lodged an amendment aimed at strengthening the DHPs by changing its from a power to a duty of local authorities to operate a DHP scheme. While this ultimately did not succeed, it did lead to the Scottish Government altering the draft legislation to encourage local authorities to run a DHP scheme.

Case study:

Catherine’s* housing benefit was completely removed as a result of the benefit cap taking her over the threshold. She applied for a Discretionary Housing Payment to help cover her rent, but it wasn’t enough and she accrued massive rent arrears as a result. Her private landlord evicted her because of her arrears and Catherine was forced to apply as homeless.

*Name changed²³

²² Department for Work and Pensions (2018); [Discretionary Housing Payments Guidance Manual](#)

²³ Source: Shelter Scotland (2018), [Response to the Work and Pensions Committee’s inquiry on the welfare safety net](#)

Recommendations

- 6) DHPs are a vital safety net for those facing difficulties paying for their housing, and must be protected.
- 7) However, DHPs should not be used indefinitely by the Scottish Government to mitigate the bedroom tax and benefit cap and a more targeted and appropriate policy solution must be developed around these.

CONCLUSION

Social security is central to housing security. The changes that have been introduced since 2010 have had significant impact on people's ability to afford and sustain their homes, and we believe this has contributed to the increasing numbers of people we help.

As the National Audit Office reflects in its report, there is no reasonable alternative to Universal Credit and there is little option but for it to continue.²⁴ The Universal Credit principle of trying to simplify the benefits system is welcome, but in practice it is confusing for applicants, laden with administrative and operational issues and fundamentally does not give people enough to live on. Changes must be made to Universal Credit to ensure that people receive the right amount of money at the point that they need it.

As for other welfare reforms, we fundamentally disagree with the benefit cap and the bedroom tax. We welcome the Scottish Government's attempts at mitigating these areas through the use of DHPs, but warn that **this is not a sustainable solution**. It is unacceptable that the benefit cap puts people at direct risk of homelessness and this should be abolished. Working age benefits should also be unfrozen and uprated to a level which reflects the real cost of living.

Social security is fundamental to people being able to access and stay in a safe, secure and affordable home, and changes must be made to stop the gaps in this safety net widening even further.

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²⁴ National Audit Office (2018); [Rolling out Universal Credit](#)

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We're here so no one has to fight bad housing or homelessness on their own.

Please support us at shelterscotland.org

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