

## **SUBMISSION FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS**

### **Background**

SFHA has been campaigning since October 2010 for a fairer system of Housing Benefit and against the proposed cuts which will do so much damage to Scotland's housing association sector and to the tenants who live in our homes. We have responded in detail to all of the UK Government's consultations on welfare reform, taking every opportunity to highlight why we need a fair welfare system in the UK. SFHA is a member of the Scottish Campaign on Welfare Reform and has also been campaigning jointly with all UK housing association federations throughout the passage of the Welfare Reform Act 2012.

For us it is simple: in an economy which expects the majority to support themselves through earnings, state intervention is required to provide a safety net for those whose income is threatened. The primary threats to income are: unemployment; relationship breakdown; illness; ageing; pregnancy/childcare responsibilities. Threats to income impact on the quality of people's daily lives but the first and foremost danger is to the roof over their heads. Every citizen has a basic human right to shelter.

SFHA agrees that the existing welfare system is in need of radical reform. However, successful reform requires extensive debate with all of the key players, careful consideration of the detail and sufficient investment to ensure fairness. We have been astonished by the speed with which the decision was made to introduce the new Universal Credit, by the pace of the passage of the Welfare Reform Act and by the amount of detail that is being left to secondary legislation.

### **Views on the Scottish Bill as a whole**

At the time of the Legislative Consent Motion debate in December 2012, SFHA lobbied MSPs to withhold consent given that there had been insufficient opportunity for scrutiny of the implications of this legislation for Scotland and for Scottish public and social policy. We were therefore pleased to see the Scottish Parliament take the unprecedented step of withholding consent on parts of the Welfare Reform Act, as it sent a strong message about the need for the work of the Scottish Parliament and the Scottish Government to be properly taken into consideration by the UK Government in the framing of their new welfare policy.

SFHA therefore welcomes the Welfare Reform (Further Provision) (Scotland) Bill – referred to elsewhere in this briefing as “The Scottish Bill” – as the necessary outcome of the Scottish Parliament's historic decision in December 2011 to partially withhold Legislative Consent on the UK Government's Welfare Reform Bill. The Scottish Bill has been drafted to enable Scottish Ministers to introduce such regulations as are required in order that devolved legislation can take account of the changes to the benefits system introduced by the Welfare Reform Act 2012. We look forward to the publication of and consultation on the secondary legislation and regulations (including clear guidance for Local Authorities and other public bodies) arising from this Bill, as these will determine whether or not the impact of UK

Government welfare reforms are ameliorated for tenants of Scottish housing association and co-operatives, their families and others reliant on benefits.

## **General Principles Underlying the Scottish Bill**

Whilst we are broadly in support of the general principles underlying this Bill, we would be keen to establish the basis upon which future changes to regulations would be made. We feel it is imperative that the Scottish Parliament ensures Bill that any changes to regulations that Scottish Ministers make or wish to make should be subject to affirmative procedure and the full scrutiny of the Scottish Parliament. We are therefore slightly concerned by the proposals under Section 1 of the Scottish Bill which suggest under Section 1 (3)(a) that some changes – if they do not add to, replace or omit any part of the text of an Act – would be subject to negative procedure. However, our concerns here are borne mainly by the desire to see as open, transparent and accountable a process as possible, so it may well be that forthcoming clarification in the form of guidance from the Scottish Government would allay these concerns.

## **Universal Credit**

The Committee will be aware from our various recent briefings to MSPs that we are seriously concerned about the impact that the introduction of Universal Credit will have upon the way that tenant households manage their finances and live their lives, as well as the serious business and financial challenges it will present to landlords.

The proposed powers introduced in relation to Universal Credit by the Scottish Bill are therefore of direct interest to SFHA and our member organisations.

As noted above we have some concerns regarding the proposals to deploy negative procedure, although we trust this is something which can be addressed in due course as suggested.

Our main points of concern relating to Universal Credit are as follows:

- the introduction of an under-occupation penalty through both clauses 11 (housing costs element of Universal Credit) and 69 (Housing Benefit) – also referred to as the “bedroom tax”, against which we have lobbied vigorously;
- the potential for the UK Government to break the relationship between housing costs subsidy and actual rents, which could be introduced via secondary legislation related to clauses 11 and/or 69;
- the potential impact of the overall benefits cap on the housing costs element (clauses 96 & 97);
- the impact of Universal Credit, including the housing costs element, being paid direct to the tenant, which would end the tenant’s right to choose to have housing costs paid direct to their landlord;
- the introduction of a new provision in clause 106 (inserted at the Commons Report Stage) permitting deduction of Housing Benefit (and other benefit) overpayments from earnings.

In light of these concerns therefore, SFHA is supportive of any measures (be they via subordinate legislation or other regulations) which the Scottish Government can adopt in order to mitigate the outcomes of the Welfare Reform Act upon Scotland.

## Passported Benefits

However, we recognise that the Welfare Reform Committee has already indicated that their primary focus for action must be on passported benefits – since they are the area of welfare policy where the Parliament feels it can most readily make a positive difference. We support the Committee wholeheartedly in taking steps to ensure that households in Scotland who currently receive essential passported benefits (many of whom will be households living in social rented properties as Council or Housing Association tenants) do not lose access to them as a result of the switchover to Universal Credit. Our concern for the financial wellbeing of the households in our sector is well-recorded and well recognised, and Housing Associations and Co-operatives will continue to support financial inclusion, anti-poverty and tenancy sustainment activities, but much of that work is dependent on continued access to existing government assistance. There will need to be a considerable rethink of qualifying eligibility criteria for devolved passported benefits as a result of the Welfare Reform Act and the introduction of Universal Credit – as being in receipt of Housing Benefit, Income Support or Job Seekers' Allowance will no longer be viable qualifying criteria.

## Impacts

We have undertaken and published our own [impact assessment report](#) which has been previously circulated to the Health & Sport and to the Infrastructure and Capital Investment Committees, which details the various anticipated impacts of the Welfare Reform Bill upon housing associations and co-operatives and their tenants.

- Across the changes to Housing Benefit, Universal Credit and other benefit reforms, as many as **1 in 5 tenants in our sector** may have their incomes adversely affected, with some very substantial income losses for some tenants.
- some case examples illustrating where “suitably sized” alternative accommodation in the private rented sector will actually cost the public purse more than leaving the tenant deemed to be under occupying in the social rented sector.
- The Welfare Reform Bill will undoubtedly **increase rent arrears, personal indebtedness and homelessness**, all amongst some of the most vulnerable people living in our communities.
- This will in turn **increase the operating costs** of housing associations and co-operatives as they strive to help people sustain their tenancies.
- The Bill also has the potential to **reduce the revenue income of housing associations and co-operatives**. This will impact on their ability to maintain existing homes and to repay loans taken out to build much needed new affordable homes – at a time when there are already 335,000 households on Scottish housing association and co-operative housing lists.
- The Bill also threatens to work against many objectives of Scottish Government policy, including the commitment to have every unintentional homeless household in settled accommodation by 2012. The increased

pressure on the incomes of both tenants and social landlords could also make meeting the target of eradicating fuel poverty by 2016 even more challenging.

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