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ANNUAL REPORT ON WELFARE REFORM

SECOND FOLLOW UP PAPER: HOUSING AND SOCIAL SECURITY

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Housing and Social Security: second follow-up paper on Welfare Reform

A report following the 2019 Annual Report on Welfare Reform focusing on the impact of UK Government Social Security policy on housing.

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Summary of key findings

Our modelling indicates that the benefit freeze could reduce Scottish welfare spending by £300 million per year¹, affecting the majority of the 460,000 Scottish households currently claiming Housing Benefit or the Housing Element of UC².

A total of 3,320 Scottish households were benefit capped as of May 2019. Among Housing Benefit-capped families, the average amount capped each week was £64, equivalent to around £3,320 per year³.

Our updated analysis on Local Housing Allowance (see chapter 5) suggests that only 11 out of 90 LHA rates in Scotland are set at the level allowing families to rent a home in the 30th percentile of the rental market.

Since the previous report whilst the situation has improved for 11 of the 90 Scottish LHA rates, 36 of the rates have seen a reduction in the proportion of the market that is available, with 4 areas having access to less than 5% of the market.

The share of the rental market that under 35s can access within the LHA rate has decreased in all areas since the first analysis has been published by the Scottish Government in 2018.

As at March 2019, rent arrears on all council properties in Scotland was £74m, up £9m (14.0%) on last year, representing 6.2% of Standard Rental Income from these properties. These arrears have been rising steadily year on year since March 2013⁴.

The housing revenue account shows at 31 March 2017 that in the five council areas where UC full service had rolled out in 2016/17 rent arrears had increased by an average of 14.1% compared with an average of 4.1% across the remaining councils⁵.

¹ Scottish Government (2019), [Welfare reform: annual report 2019](#), p 3

² Based on caseload data available from Department for Work and Pensions (2019), [StatXplore](#).

³ Department for Work and Pensions (2019), [StatXplore](#)

⁴ Scottish Government (2019) [Housing Revenue Account statistics: Scottish local authority housing income and expenditure 2018/19](#)

⁵ Audit Scotland (2017) [Housing Revenue Account 2016/17](#)

1. Introduction

Following the publication of the Scottish Government's *Welfare reform: annual report 2017* - the fifth annual report on the impacts of UK Government welfare reforms in Scotland, the Scottish Government published three further reports in 2018 to provide additional information on the impact of welfare reform on the housing sector, families, and disabled people. This report is designed to provide an update and refresh to *Housing and Social Security: follow-up paper on Welfare Reform*, published in May 2018 building on the context provided by the *Welfare reform: annual report 2019*. In particular this report updates the evidence on Universal Credit impacts, Local Housing Allowance Rates, and the benefit cap.

Our findings show that UK changes to welfare policies continue to have a significant impact on the housing sector in Scotland.

Four years of frozen benefits has seen the real value of many working-age benefits reduce to around 93% of their 2015 value,⁶ squeezing incomes of low income households. For many this will make it harder for them to pay their rent and make ends meet.

The Local Housing Allowance rate cap has continued to reduce the accessibility of private rented accommodation for many areas of Scotland. Our updated analysis (see chapter 5) suggests that only 11 out of 90 LHA rates in Scotland are set at the level allowing families to rent a home in the 30th percentile of the rental market. The blanket cap has created a system that has been unable to adapt to varying private rental markets across Scotland, meaning some areas and some rates have been particularly badly affected. Action is needed from the UK Government to level rates up, ideally to the 30th percentile across the board, and create a system that is fair across Scotland.

This report also points to evidence that suggests that the design of Universal Credit (UC) has impacted on increased social sector rent arrears as the benefit has rolled out across Scotland. This is a fluid situation; changes to UC have been made or announced and so it is hard to know to what extent they may mitigate these impacts as more people move to UC. What is clear though is that landlords, both in the private and social sector continue to have real issues with the administration of UC. DWP plans to align their payments to social landlords to the UC payments to tenants is an important example of action that will be welcomed when it is delivered and will make a big difference to landlords seeking to support their tenants. We hope the UK Government is able to meet its commitment to delivering on this change soon.

The Scottish Government continues to mitigate UK Government welfare reforms with investment of around £100 million a year including through the Scottish Welfare Fund and Discretionary Housing Payments, including mitigating the bedroom tax in full, and UC Scottish Choices.

⁶ This Scottish Government estimate is calculated using CPI inflation outturn and forecast data from Office for Budget Responsibility (2019), [The economy forecast – Inflation](#).

Budgets need to be managed carefully, but Scottish ministers continue to look at what more can be done, for example in the development of additional support through DHPs for care experienced young people. That said, Scottish Government powers are limited in this area, and many of the changes that need to be made to the welfare system can currently only be delivered by the UK Government.

2. Update since 2018 report

As mentioned in the previous housing report, the Scottish Government has limited powers in relation to housing and social security, but the majority of the policy responsibility and spending remain reserved to the UK Government.

As before, the impact of the benefit cap, benefit freeze, and the LHA cap on the private rented sector remain important issues. We are now in the fourth and final year of the freeze but the future of LHA rates is as yet unknown. The majority of tenants affected by welfare reform are in the social sector, and so the impact of UC there also remains a concern - an updated discussion is provided on that.

Housing policy is devolved to Scotland, but these areas demonstrate that reserved welfare policy continues to have an impact on the Scottish Government's ability to deliver on its housing priorities and can work against tackling homelessness.

Since the last report, the Scottish Government has given renewed impetus to its work to tackle and prevent homelessness. The Homelessness and Rough Sleeping Action Group's (HARSAG) final recommendations report was published in June 2018, and it made explicit reference to the impact of welfare reform on homelessness:

“Decisions about social security have a direct impact on homelessness. The poverty resulting from benefit caps and freezes, the impact of sanctions on people who are homeless or at risk of homelessness, the limits on the housing element of benefits, and waiting times for Universal Credit, and other aspects of welfare reform all act to increase the pressure on people living on the edge of homelessness.”⁷

While some of the areas covered in this report are relevant to the HARSAG recommendations, further analysis is required to explore more fully the interactions between welfare reform and homelessness. This will be published at a later date looking more closely at tackling and preventing homelessness, and the ways in which the social security system impacts on that work.

The main focus of this paper is on the changes to support for housing costs, and the impact on the ability of households to meet their rent due to UK Government welfare changes. The way individual households respond to the impacts of welfare reform varies depending on their circumstances. Cuts to aspects of social security provision that are nominally not explicitly about supporting housing can still lead to households struggling to pay rent. Therefore it is worth considering the wider context of benefit cuts and freezes, as well as subsequent steps announced by the UK Government.

Wider context

The overall welfare spending context was described in previous annual reports, with the 2018 Welfare Reform Report estimating an overall reduction of £3.7 billion in welfare spending in Scotland in 2020/21.⁸

⁷ Homelessness and Rough Sleeping Action Group: final recommendations report - <https://www.gov.scot/publications/homelessness-and-rough-sleeping-action-group-final-report/>

⁸ Scottish Government (2018), [Welfare reform: annual report 2018](#)

In Scotland there were around 2.48m households in 2018.⁹ People in receipt of support for housing costs through Housing Benefit, or an award of UC which includes the Housing Element, represent around 19%¹⁰ of that figure, or around 460,000 households. In Scotland in 2018/19, total spending on Housing Benefit and UC (for household with a Housing Element on their award) was around £2.4 billion.¹¹ Universal Credit is now rolled out across Scotland for new claimants and households that experience a change of circumstances, but as of May 2019 76% of households receiving housing support continued to receive the legacy housing benefit, with 24% receiving support through UC. This will increase over time as working age households are moved over to UC, a process which the UK Government intends to have completed by December 2023.

In addition some households will receive a Discretionary Housing Payment (DHP). The majority of support for housing costs is available for those who rent their homes, although some loan support is available for those with a mortgage. As with the previous report we again focus on the impact of welfare reform on tenants, as well as their landlords, especially social sector landlords.

Housing costs have a substantial impact on levels of poverty, and in turn levels of poverty vary substantially between sectors and groups. Poverty levels are higher after housing costs for all groups except pension age households. Pension age households are more likely to be owner occupiers, and have been protected from many aspects of welfare reform, (for instance the bedroom tax only applies to working age households). The most recent poverty statistics show that relative poverty rates in the social sector are higher after housing costs (40%) than those in the private sector (34%).¹²

Changes since the publication of the previous report

During 2018 and 2019, a number of changes to UC have been announced. The most significant change, announced in the 2018 Autumn Budget, was the increase of UC work allowances for claimants with responsibility for a child or limited capability for work, by an additional £1,000 per year. Further analysis of this is contained in the annual report, but it is worth noting that according to the Office for Budget Responsibility, the 2018 increase only restores around half of the 2015 cuts.

The Annual Report sets out information on a number of Universal Credit transition related changes. The following are of particular relevance on the housing context.

⁹ Scottish Government (2019), [Scottish household survey 2018: annual report](#), p. 49

¹⁰ Scottish Government estimate based on data from Department of Work and Pensions (2019), [Stat-Xplore](#). The most recent official data shows there were around 350,000 households claiming Housing Benefit in Scotland in May 2019, and around 109,000 households claiming UC with a Housing Element in their award.

¹¹ This Scottish Government estimate is based on data from Department of Work and Pensions (2019), [Stat-Xplore](#) and Department of Work and Pensions (2019), [Benefit expenditure and caseload tables 2019](#), benefit expenditure by country and region tables.

¹² Scottish Government (2019), [Poverty and income inequality in Scotland: 2015-2018](#), Supplementary poverty tables, Table 3.

Two week run-on payments

Claimants moving onto UC, as part of the managed migration rather than a change in circumstances, from Income Support, income-related Jobseeker's Allowance and Employment and Support Allowance will continue to receive payments from these legacy benefits for the first fortnight of their UC claim. Claimants of Housing Benefit already receive this run-on payment now, while claimants of the other legacy benefits will benefit from this change from July 2020 although run-ons of tax credits are not included in this reform. This will ease the five-week wait for UC payments for households with a pre-existing claim to these benefits. This is important in the housing context as the wait has been seen as one of the key aspects of the design of Universal Credit having an immediate impact on rental arrears. However newly entitled households making a fresh claim will not benefit from this policy.

Mixed age couples and Universal Credit

From 15 May 2019, couples with one partner over pension age and one working-age partner (referred to by DWP as mixed age couples) can no longer make new claims to Pension Credit (or pension-age Housing Benefit) and must claim UC instead. This could reduce the income of an estimated 1,400 Scottish households in 2019/20, rising to an estimated 5,600 in 2023/24.¹³ Because Pension Credit Guarantee Credit tops up a couple's income to £12,940 per year, while the UC Standard Allowance only entitles couples to just under £5,990 per year, each household could lose up to £7,000 per year. This could also have an impact on the Scottish Government's continuing commitment to mitigate the bedroom tax in full. Under UK rules, pension age households are exempt from the bedroom tax, therefore this change could increase the number of households affected.

Benefits Freeze

The UK Government has announced that the four year benefits freeze for working age benefits, including Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), Income Support, Housing Benefit and Universal Credit will come to an end in 2020, with benefits to be uprated in line with inflation starting in the financial year 2020/21. It is expected that the UK Government's budget for 2020/21 will set out further information on the uprating of benefits including LHA rates.

However, as the previous housing paper outlined there is a difficult climate for tenants and landlords alike and this continues to be the case with UK welfare policy continuing to squeeze the incomes. The value of benefits has eroded significantly over the past two years as CPI inflation exceeded the Bank of England's 2% target throughout 2017/18, hitting 3% in September 2017 and therefore reducing 2018/19 benefit entitlements further than expected. Our modelling indicates that the benefit freeze could reduce annual benefit spending in Scotland by around £300 million¹⁴.

The last time many working-age benefits were up-rated fully by inflation was 2012. Since 2015 the Benefit Freeze has kept most working-age benefit rates completely frozen. Each year that benefits are uprated by less than inflation reduces the ability of households on benefits to pay for goods and services, including their rent. This means that even with a return to uprating by inflation the frozen benefits will still only

¹³ Scottish Government (2019), [Welfare reform: annual report 2019](#), p. 12

¹⁴ Scottish Government (2019), [Welfare reform: annual report 2019](#), p 3

be worth around 93% of their 2015 value.¹⁵ The 2019 Welfare Reform Report estimated that, once UC is fully rolled out in 2023/24, the benefit freeze alone could reduce Scottish welfare spending by £300 million per year. The majority of the 460,000 Scottish households currently claiming Housing Benefit or the Housing Element of UC will experience the effects of this freeze.

¹⁵ This Scottish Government estimate is calculated using CPI inflation outturn and forecast data from Office for Budget Responsibility (2019), [The economy forecast – Inflation](#).

3. UK Government welfare reforms

Local Housing Allowance

In the private sector the most significant reform has been the changes to Local Housing Allowance rates and there is a further chapter on its impact in this report. Local Housing Allowance rates are set in relation to market rents across eighteen Broad Rental Market Area's (BRMA) in Scotland, and across five bandings reflecting accommodation size, ranging from the cost of sharing accommodation or leasing a single room to the cost of rent on a home with four or more bedrooms. These rates are used to set the maximum payable under housing benefit. The rate payable is set in relation to household size, not the property itself. The lowest rate is the Shared Accommodation Rate (SAR) available to single adults under the age of 35 without dependents.

The levels are set for a financial year, and the 2019/20 rates are the fourth set of rates to be frozen. The freeze on uprating was announced as a policy for four years, and it had been announced that the freeze to benefits generally will come to an end. However, no announcement has been made that would indicate any plans to reverse the real terms cuts to LHA rates. As noted previously, coupled with the unpredictability of rents, it is impossible to accurately forecast the future impact of LHA policy. There is an update on the impact of the freeze on LHA rates in part five of this report.

Universal Credit

There is some evidence that UK Government welfare reforms generally, and the roll out of UC in particular, has increased the risk of rent arrears, and this relationship is the focus of a fuller chapter later in this report. UC is now fully rolled out across Scotland for new claimants and people in receipt of legacy benefits reporting a change to their circumstances. There is concern that any problems associated with UC could be exacerbated as people are migrated across to UC, starting this year.

As mentioned in the last report, Local Authorities and landlords have also reported that it is harder to support households in receipt of UC, and this causes difficulty in the processing of DHPs, Scottish Welfare fund (SWF) applications and Council Tax Reduction (CTR), compared to households in receipt of Housing Benefit.

The Scottish Government continues to take steps to mitigate these practical difficulties. For example the CTR scheme is currently in the process of being revised with the objective of using information captured by DWP for UC cases to make sure councils can deliver the same level of CTR as would be the case if they were on legacy benefits.

Bedroom Tax

The Scottish Government continues to mitigate the bedroom tax in full. Without Scottish Government intervention the bedroom tax would affect over 70,000 households. The Scottish Government budgeted £52.3m in 2019/20 to fully mitigate the impact of this welfare reform. The UK and Scottish Governments have a long standing agreement in principle that this will be mitigated at source through Universal

Credit, although no date for implementing a change to UC has been agreed as yet. In the meantime mitigation will continue to be administered through the use of Discretionary Housing Payments. Administering the mitigation for tenants in receipt of UC (as opposed to the legacy housing benefit) is more difficult and time consuming.

Benefit Cap

The Benefit Cap was introduced in 2013, and is intended to set a maximum amount of means-tested benefits a household can receive. Where a household's total means-tested benefit entitlement is higher than the benefit cap threshold, its Housing Benefit (HB) or Universal Credit (UC) payment will be reduced until total means-tested benefit payments do not exceed this maximum amount.

Originally the cap's main threshold was set at £26,000 annual gross household income (for couples and households with children), with a lower £18,200 for single people without children. In November 2016 the cap was reduced to its current threshold in Scotland, of a £20,000 main rate, and £13,400 for single people without children. The reduced threshold led to many more people having their benefits capped, and the DWP estimates that in May 2019 around 94% of Scottish households with capped legacy benefits (for whom data is available) would not have been affected if the cap remained at its original, higher level.¹⁶

Official statistics from May 2019 show that average weekly Housing Benefit awards in Scotland were higher in the private sector (£96 per week) than they were in the social rented sector (£78 per week). Nonetheless, across Scotland just over 70% (1,919) of households with capped Housing Benefit lived in the social rented sector in May 2019, while the remaining 30% lived in the private sector. Among these 1,919 social housing tenants households with capped Housing Benefit, almost 65% (1,240) were local authority tenants, while 35% (682) were tenants of a registered social landlord.

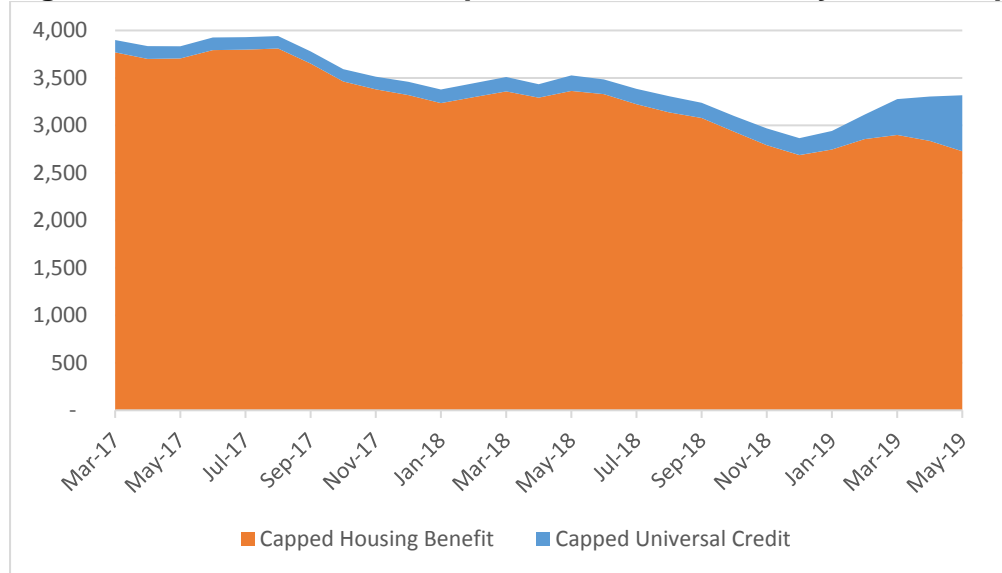
How the Benefit Cap caseload is changing over time

A total of 3,320 Scottish households were benefit capped as of May 2019. The cap disproportionately affects families with children. Based on the most recent data, covering May 2019 of the 2,730 households whose Housing Benefit has been capped, two thirds (1,820) were lone parent households and only 9% (270 households) were not responsible for children. Of the 91% of households which contain children, 87% are large families which care for three or more children. Among Housing Benefit-capped families, the average amount capped each week was £64, equivalent to around £3,320 per year. Among households with either capped UC or Housing Benefit, most of those who are capped (1,820) lose up to £50 a week, however a substantial number (1,480) lose more than that.

¹⁶ Scottish Government analysis based on Department for Work and Pensions (2019), [Benefit Cap: number of households capped to May 2019](#). Benefit Cap statistics in this section refer to May 2019 data.

In Scotland the Benefit Cap caseload i.e. the number of households affected by the policy, has exhibited a slow decline, decreasing around 15% between its mid-2017 peak¹⁷ and the most recently available May 2019 data, as shown in Figure 1.

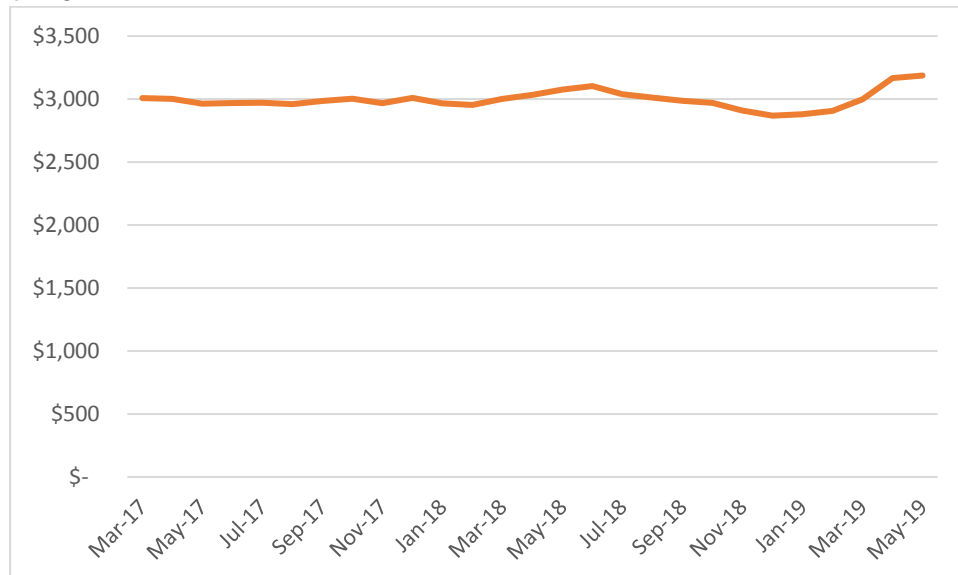
Figure 1 – Scottish Benefit Cap caseload over time, by benefit capped



Source: Stat-Xplore

This reduction in caseload has not been matched by a decrease in amount lost to each household; the average amount lost through the cap has remained around £3,000 over this time period, as shown in Figure 2.

Figure 2 – Average annual amount lost by capped Scottish households over time



Source: Scottish Government analysis based on Stat-Xplore data

¹⁷ Benefit Cap caseload peaked a few months after the November 2016 cap reduction. Figure 1 focuses on the time since that peak, measuring how the caseload has changed under fixed eligibility criteria.

At the same time, homelessness applications in Scotland reached around 36,500 in 2018/19¹⁸, which is just over ten times the level of Benefit Cap caseload. Across applications which provided the reasons for no longer having accommodation, 19% cited financial difficulties, debt or unemployment as a contributing factor.

The Benefit Cap, as a policy that reduces the ability of low-income households to afford housing costs, could be expected to increase the risk of homelessness. However, Benefit Cap data produced by the DWP cannot currently be linked to official homelessness statistics, and therefore we are unable to estimate to what extent the cap is increasing homelessness in Scotland.

Considering, however, that the cap may be a contributing factor for some households becoming homeless, we will continue to monitor the available data to help us understand by how much the Benefit Cap drives homelessness in Scotland.

As mentioned elsewhere in this report, the UK Government has announced that the benefits freeze is to come to an end¹⁹ with benefits to be uprated in line with inflation from 2020. However no equivalent announcement has been made in relation to the cap. This means that there is a real risk to some families that uprating of benefits will bring them up to capped levels of income, reducing or eliminating the potential benefits to them from the reversal of the freeze.

Support for mortgage interest

As mentioned in the previous report, owner occupiers with mortgage costs are eligible for Support for Mortgage Interest (SMI). This was formally administered as a benefit, but since April 2018 is now available as a loan scheme. The eligibility criteria for SMI is more limited than that for support with rental costs through either housing benefit or UC, especially for working age households, who need to wait 39 weeks after claiming a passporting benefit (such as UC or Job Seekers allowance (JSA)), and will need to be entirely out of work. The change is expected to affect between 10,000 and 20,000 households in Scotland, reducing Social Security spending by £20 million per year by 2020/21. Latest statistics show that across the UK, as of September 2019 around 21% of claimants eligible for SMI have accepted an offer of a loan.

¹⁸ Homelessness application data throughout this section is taken from Scottish Government (2019), [Homelessness in Scotland: Annual Publication 2018-19](#).

¹⁹ <https://twitter.com/dwppressoffice/status/1191369714095788032>

4. Scottish Government mitigation and devolved powers

Scottish Government has acted to support the housing sector as a whole through mitigation, including direct financial mitigation to individuals and households, with expected spending of over £100m in 2019/20 on welfare mitigation and measures to help protect those on low incomes including the Scottish Welfare Fund and Discretionary Housing Payments.

Scottish Welfare Fund

The Scottish Welfare Fund is a vital lifeline for people across Scotland providing £38 million per annum to councils, and plays an important role in terms of general welfare reform mitigation. Between 1 April 2013 and 30 June 2019, 681,055 Crisis Grants were awarded. The most common Crisis Grant expenditure was on food, essential heating expenses and other living expenses, with the average spend being £78. Crisis Grants provide a safety net when an emergency situation occurs, and where there is an immediate threat to health and safety. During the same period 260,600 Community Care Grants were awarded. The most common Community Care Grant expenditure was on floor coverings, beds and bedding, and white goods, with an average award of £602. This kind of support through Community Care Grants has a direct impact on housing in that it helps enable people to establish and maintain a settled home in the community.

Discretionary Housing Payments

DHPs more directly mitigate the impact of welfare reform on the sector. Total budgeted spend for 2019/20 is £63.2m. Of this £52.3m has been budgeted for the direct and full mitigation of the bedroom tax. This funding has supported individuals directly, and allowed them to meet their rent payments, preventing a build-up of rent arrears which would have had a negative impact on landlords as well as the households affected. Given the demand-led nature of the support, the Scottish Government sets its budget each year in line with projections provided by the Scottish Fiscal Commission, with a reconciliation process after the year-end once final figures are provided by local authorities. By the end of the current financial year (2019/20) the Scottish Government will have spent over £366m on DHPs since 2013/14.

In addition to bedroom tax mitigation, DHPs are also available to support those affected by other aspects of welfare reform, largely the benefit cap and LHA rates in the private rented sector. Since 2017/18 the annual budget for Other DHPs in 2019/20 is £10.9m. This includes £8.1 million of funding to local authorities to provide support to benefit capped families. There is a risk that the unfreezing of benefits will place additional pressures on this mitigation funding, as more families become subject to the cap and seek support through Discretionary Housing Payments.

In addition to the £10.9m, the Scottish Government is currently developing plans to provide additional DHP funding to support care experienced young people with their housing costs. Further announcements will be made, and funding will be available from April 2020.

Scottish Choices

The Scottish Government is using its powers over UC payment arrangements to give people in Scotland more choice about how they manage their household budget by making UC more flexible. The *UC Scottish choices* provide people with the option to receive their UC award twice monthly and have the housing costs in their award paid direct to their landlord in both the private and social rented sector. The UC Scottish choices were made available from 4 October 2017 to people making a new claim in full service areas and this was extended to everyone receiving UC in full service areas from 31 January 2018.

Twice monthly payments can help people on a tight budget to better manage their finances and direct payment of housing costs to landlords should help prevent or reduce rent arrears and eviction proceedings, which will ultimately safeguard tenancies. However these changes do not increase the level of award or address all of the concerns with UC, which are outwith the Scottish Government's current powers. The take-up rate of the UC Scottish choices remains high with around 46% of people taking up one or both choices when they are offered.²⁰

The Scottish Government is also committed to delivering split payments of the Universal Credit award in Scotland, to give everyone access to an independent income and to promote equality in the welfare system. The Scottish Government and the DWP are working together to assess the feasibility of different options for delivering split payments. We are making good progress and the Scottish Government will make an announcement in due course.

²⁰ Scottish Government (2019), [Universal Credit Scottish choices - management information to end August 2019](#)

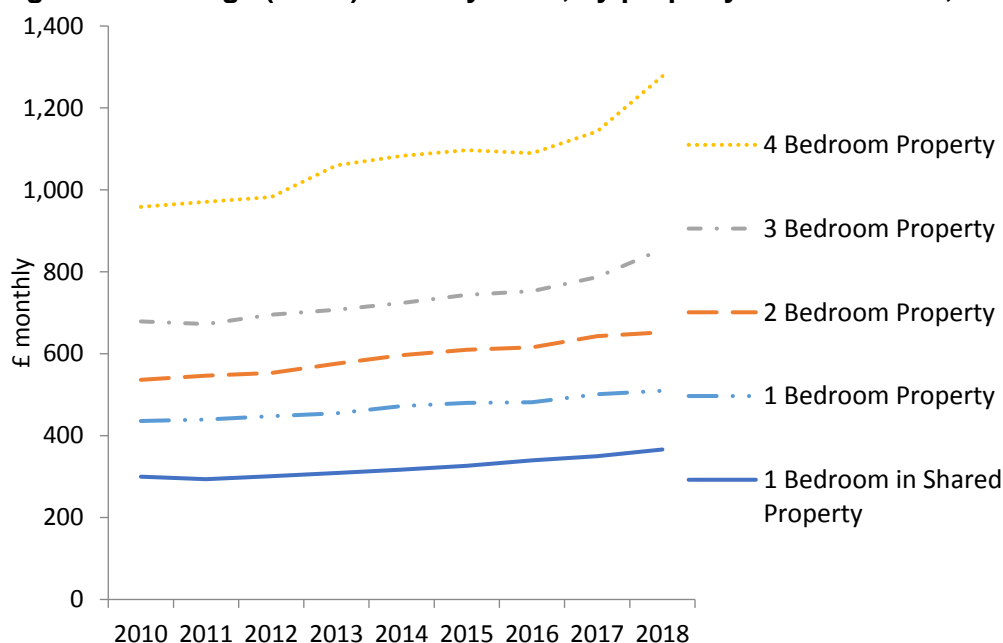
5. Local Housing Allowance in the private rented sector

Background

Housing costs make up a large share of household spending. Low-income households in rented accommodation are supported with their housing costs through Housing Benefit (HB) and the housing element of Universal Credit (UC). This support is available to households in both the Private and Social Rented Sectors. For the Private Rented Sector the Local Housing Allowance (LHA) rates set an upper limit on support that tenants can receive.

The proportion of households living in the private rented sector in Scotland increased substantially from just 5% in 1999 to 15% in 2016, after which it has dropped slightly to 14% in 2018.²¹ From Figure 3 it is clear that average private rented sector rents for new let rental properties have largely been growing steadily across all property types in Scotland. In September 2018, around 340,000 Scottish households were renting privately, of which 60,000 were supported with their housing costs through HB and 30,000 were supported through the housing element of UC.²² This means that of all tenants renting privately in Scotland around 27% are supported with their rents through the benefit system.

Figure 3 - Average (mean) monthly rents, by property size: Scotland, 2010 to 2018



Source: Scottish Government (2018), [Private sector rent statistics: 2010 - 2018 \(note that this data is largely based on advertised rents, as opposed to rents for existing tenants\)](#)

Before 2012, LHA rates were set at the 50th percentile of the local market rents. In 2012, LHA rates were reduced to the 30th percentile, so that HB or UC claimants could only access the bottom 30% of properties of the relevant size in each Broad Rental Market Area (BRMA). Since 2015 LHA rates have been set at the lower of the previous year's level, or the 30th percentile of newly advertised rents. This means it is possible for LHA rates to fall, but cannot increase (other than through the

²¹ Scottish Government (2019), [Scottish household survey 2018: annual report](#)

²² StatXplore

provision of targeted affordability funding, small increases allocated, at the discretion of UK ministers, usually to those rates which fall furthest from the 30th percentile). Furthermore, since April 2016, LHA rates have been frozen as part of the overall welfare savings programme of the UK Government, which has further reduced the share of the private rental market that households on housing benefit can access.

Shortfall between LHA support and the 30th percentile private sector rents

Table 1 shows the weekly cash shortfall between the LHA rate and the 30th percentile rent in each BRMA. For example, a family with children entitled to a three-bedroom property in the Lothian BRMA requires an additional £89.69 per week to access renting a home at the 30th percentile of the rental market. It should be noted that the 30th percentile figure used to set the LHA rates relates to the previous year's rents data. In Table 1 we have averaged the LHA rates over two years to estimate the shortfall with the 30th percentile. This means that the presented shortfalls are illustrative and some of the divergence between the LHA rates and the 30th percentile presented below can be attributed to the use of historical rents to set the LHA rates.

Overall, there are only a few areas where low income families are not expected to experience any shortfall. Instead, a large number of areas, particularly areas of high housing demand, continue to experience shortfalls between actual rent and available LHA support across all property types. The highest absolute shortfalls are typically experienced by large families.

Table 1: Illustrative weekly cash shortfall between the LHA rate and the actual 30th percentile by Broader Market Area

BRMA	Shared Room	1 Bed	2 Bed	3 Bed	4 Bed
Aberdeen and Shire	£0.84	£14.96	£15.23	£5.69	£2.07
Argyll and Bute	-£1.93	-£6.67	-£5.47	-£6.29	-£2.96
Ayrshires	-£12.10	£0.00	£0.00	£0.00	-£13.70
Dumfries and Galloway	-£2.55	-£4.23	-£3.45	-£3.36	-£7.46
Dundee and Angus	-£10.20	-£1.31	-£7.77	-£19.10	-£18.05
East Dunbartonshire	-£5.24	-£11.51	-£20.40	-£23.73	-£54.74
Fife	-£12.79	-£4.72	-£3.30	-£6.29	-£15.05
Forth Valley	-£13.57	-£4.69	-£11.51	-£22.43	-£31.08
Greater Glasgow	-£6.51	-£21.86	-£27.31	-£23.79	-£92.00
Highland and Islands	-£13.70	-£6.00	-£10.10	-£22.67	-£22.58
Lothian	-£18.03	-£27.63	-£36.33	-£89.69	-£114.31
North Lanarkshire	-£9.60	-£5.75	-£4.50	-£6.76	-£5.29
Perth and Kinross	-£6.75	-£8.50	-£7.98	-£12.28	-£22.51
Renfrewshire/ Inverclyde	-£5.59	£0.00	-£2.02	-£1.16	-£16.32
Scottish Borders	-£5.78	-£2.79	-£8.06	-£5.45	-£45.65
South Lanarkshire	-£3.88	-£5.75	-£5.76	-£10.01	-£38.63
West Dunbartonshire	-£1.15	£0.00	£0.00	-£6.90	-£37.43
West Lothian	-£14.76	-£11.24	-£14.64	-£15.74	-£25.52

Source: Scottish Government analysis based on rents data from the Rent Service Scotland (covering October 2018 and September 2018) and 2017/18 and 2018/19 LHA rates.

In the remainder of this section we discuss additional evidence that provide useful context for the interpretation of the shortfalls presented in Table 1. For example, it is important to note that not everyone will be renting a property exactly at the 30th percentile and some families may face lower or higher rental costs. Families with lower rents may face a lower gap and some families may face no shortfall at all, if the LHA rate covers their rent in full. In fact, the average weekly HB awards are consistently below the LHA rate across all BRMAs and this gap increases with property size.

Impact on Families

The average weekly award can be lower than the corresponding LHA rate for various reasons. As already stated above, families on HB or UC may rent a cheaper home and therefore would not be entitled to the maximum LHA rate. In addition, working families are entitled to lower LHA support due to tapering as a result of having income from work. This means that their average HB/UC award would be smaller and their rent shortfall would need to be covered through other household income. For example, the average two-bed LHA award in September 2018 across Scotland has been 24% lower for HB claimants who were in employment and did not receive HB as a passport from other benefits.²³ Similarly, families with rents above the maximum LHA rate would need to cover additional housing costs from other resources. It remains unclear, however, how many families face rents above the LHA rate.

For example, families in Scotland are increasingly renting privately, which can make it more difficult to find accommodation below the 30th percentile for LHA claimants. This, in turn, can in itself put upward pressure on rents as multiple tenants will be competing for the limited number of properties. This is one of the key reasons why a lot of families entitled to LHA support could be renting above the 30th percentile and would face an even higher gap than what is presented in Table 1.

In addition, there is a difference between LHA band and the actual property that a family may be living in. Where a family lives in a larger property than they are entitled to, the shortfall between actual rents and LHA support will typically be even larger. It is difficult to estimate how many families are affected by this. There may be many complex reasons behind a family's decision to live in a property that does not match their LHA entitlement. For example, they may choose to live in a smaller property to use a higher LHA rate to access a better quality accommodation or stay in a specific location. In addition, families may choose to live in a larger property than their entitlement because of preferences or because they face barriers in moving. Barriers may be related to difficulties in finding affordable accommodation in a preferred area or fear that a new landlord may be reluctant to rent to families in receipt of benefits.²⁴

²³ Stat-Xplore provides the breakdown of LHA claimants by employment status only for non-passported HB claims (which is roughly ~50% of all LHA claims entitled to 2-bed rate). People can be passported to Housing Benefit from other benefits. For example, someone eligible for Jobseekers Allowance can be also eligible for Housing Benefit.

²⁴ [Crisis \(2019\)](#)

What proportion of the local market can the LHA rate can access?

An alternative way of assessing the divergence between the LHA rates and the 30th percentile of the local rental market is to look at how much of the private rents in each local rental market can be covered by the LHA rate. This analysis has been previously produced by the Scottish Government in 2018 and by Crisis in 2019.²⁵ More recently, the National Housing Association published similar assessment for England but instead of using market rents from the Valuation Office Agency they extracted rental listings from the Zoopla website.²⁶ These were then compared with the LHA rate to assess the share of rental market that claimants can access across the country. The analysis concludes that only around 8% of rental properties advertised in England are accessible to LHA claimants.

Our updated analysis suggests that only 11 out of 90 LHA rates in Scotland are set at the level allowing families to rent a home in the 30th percentile of the rental market. Since the previous report whilst the situation has improved for 11 of the LHA rates, 36 of the rates have seen a reduction in the proportion of the market that is available, with 4 areas having access to less than 5% of the market. It is clear that across Scotland the underinvestment in the LHA support means it is not serving its intended purpose.

Table 2: Proportion of the private rented sector that families could access in Scotland within the LHA rates

BRMA	Room	1 Bed	2 Bed	3 Bed	4 Bed
Aberdeen and Shire	30%	30%	30%	30%	30%
Argyll and Bute	20 to 25%	20 to 25%	20 to 25%	10 to 15%	25 to 30%
Ayrshires	5 to 10%	30%	30%	30%	20 to 25%
Dumfries and Galloway	15 to 20%	20 to 25%	25 to 30%	15 to 20%	25 to 30%
Dundee and Angus	15 to 20%	15 to 20%	20 to 25%	15 to 20%	10 to 15%
East Dunbartonshire	25 to 30%	10 to 15%	5 to 10%	10 to 15%	10 to 15%
Fife	5 to 10%	15 to 20%	15 to 20%	15 to 20%	20 to 25%
Forth Valley	0 to 5%	15 to 20%	10 to 15%	10 to 15%	15 to 20%
Greater Glasgow	10 to 15%	5 to 10%	5 to 10%	15 to 20%	5 to 10%
Highland and Islands	5 to 10%	15 to 20%	10 to 15%	15 to 20%	20 to 25%
Lothian	5 to 10%	0 to 5%	0 to 5%	5 to 10%	10 to 15%
North Lanarkshire	5 to 10%	25 to 30%	20 to 25%	20 to 25%	25 to 30%
Perth and Kinross	10 to 15%	10 to 15%	10 to 15%	15 to 20%	10 to 15%
Renfrewshire/ Inverclyde	10 to 15%	30%	25 to 30%	25 to 30%	20 to 25%
Scottish Borders	15 to 20%	15 to 20%	20 to 25%	20 to 25%	5 to 10%
South Lanarkshire	20 to 25%	20 to 25%	25 to 30%	15 to 20%	0 to 5%
West Dunbartonshire	25 to 30%	30%	30%	15 to 20%	25 to 30%
West Lothian	10 to 15%	10 to 15%	5 to 10%	5 to 10%	15 to 20%

²⁵ [Scottish Government \(2018\); Crisis \(2019\)](#)

²⁶ [National Housing Association \(2019\)](#)

As private rented housing becomes increasingly less accessible to low income families, it substantially increases their risk of homelessness. Inadequate support for housing is contributing to children living in overcrowded and poor quality accommodation, as well as increasing levels of poverty and debt. While homelessness has multiple complex causes, reduced benefit income is likely to put additional pressure on the most vulnerable members of the society.

Our analysis looks at the proportion of the local rental market that different families could access within their LHA entitlement in 2017/2018 in Scotland. The family types we have looked at are:

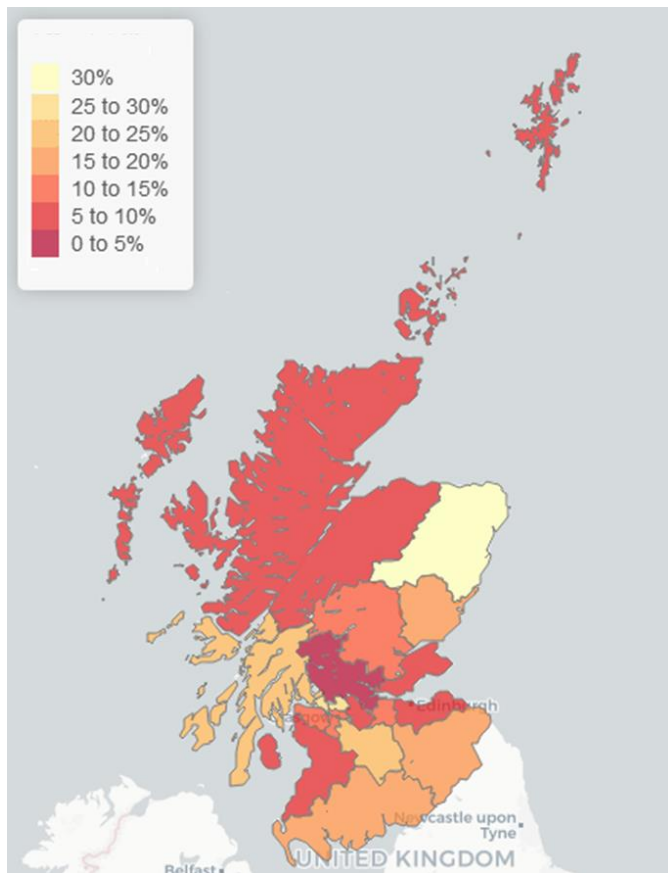
- single people without children;
- couples without children;
- couples with children; and
- lone parents.

It is clear that the share of the rental market that families can access within the LHA rate varies substantially across different areas of Scotland. Across all LHA rates, the only area where the LHA policy is achieving the original objective of supporting private rented sector tenants in accessing the bottom 30th percentile of the local market is Aberdeen and Aberdeenshire. This is because market rents have been declining in this BRMA.

Shared Accommodation Rate

Figure 4 shows that single people aged under 35 with no child dependents who are entitled to the Shared Accommodation Room rate can face difficulties in accessing even the lower end of the private rented sector. This is particularly evident in Forth Valley, Ayrshire, Fife, the Highlands and Islands, Lothian and North Lanarkshire. Furthermore, the share of rental market that under 35s can access within the LHA rate has decreased in all areas since the first analysis has been published by the Scottish Government in 2018.

Figure 4 - The proportion of the private rented sector that single people aged under 35 with no child dependents can access in Scotland within LHA rate



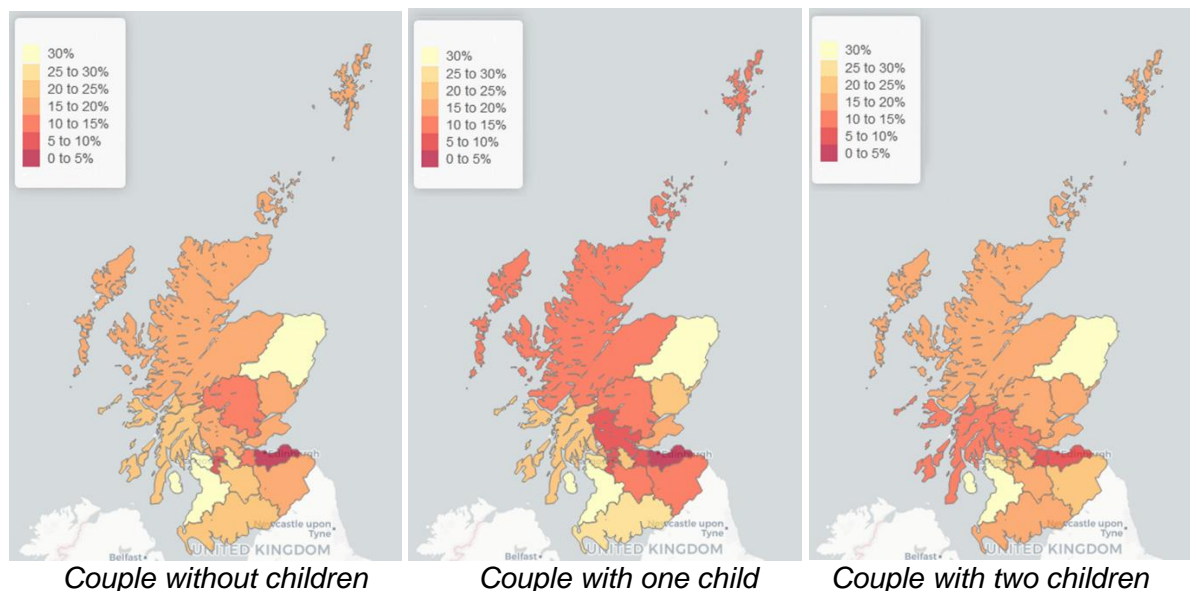
Source: Scottish Government analysis based on data from the Rent Service Scotland and 2017/18 – 2018/19 LHA rates.

As shown earlier in Table 1, the absolute estimated difference between the 30th percentile rent and the shared room rate in Forth Valley amounts to £13.57 per week. While it is a substantial shortfall, it is not the largest across all areas. Nevertheless, the shared LHA rate only enables young people to access the bottom 5% of the rental market in Forth Valley. Young people are also, on average, more likely to be single and not have child dependents which means that they are entitled to less benefit support. Inadequate LHA support could increase risk of them becoming homeless. In addition, under 35s make up only 62% of all shared rate HB claimants and remaining claimants are spread across all age groups suggesting that the adverse impacts are more wide-ranging.

Figure 5 shows the difficulties of accessing private rented sector accommodation within LHA rate for families that are entitled to one-, two- and three-bedroom properties. It is clear from the maps that the share of the rental market that is available to families in Lothian is the smallest across all BRMAs. In comparison with the shared rate, however, there are more areas where one-, two- and three-bedroom LHA rates can access a larger share of the rental market. Nevertheless, lone parents living in East Dunbartonshire, Forth Valley, Greater Glasgow and Lothian, entitled to a two- or three- bedroom LHA rate, experience significant pressure on their finances to cover rents. For example, a lone parent living in Lothian can only access the bottom 5% of the two-bed rental market and 5 to 10% of the three-bed rental market.

In fact, lone parents can now access a lower share of the market than was identified in the analysis published in 2018.

Figure 5 - The proportion of the private rented sector that couples needing a one-, two- and three-bedroom property could access in Scotland within LHA rate



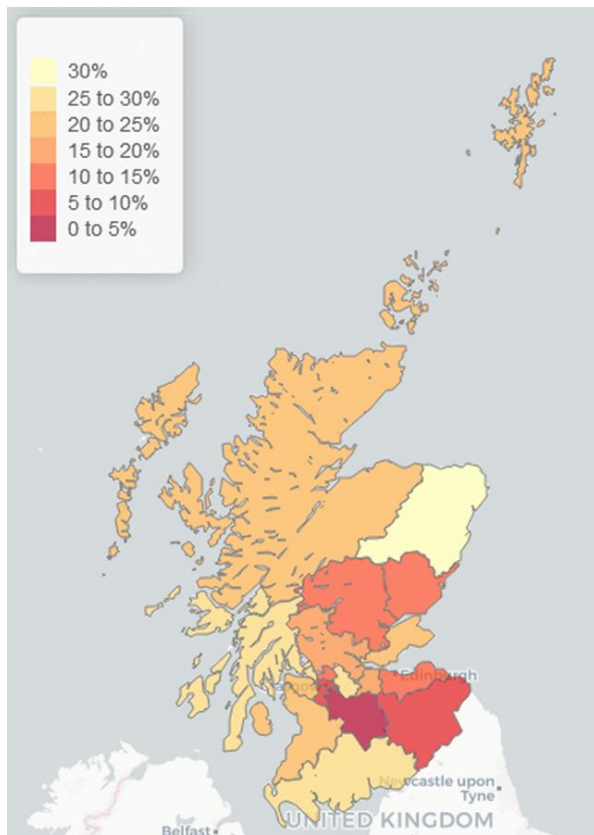
Source: Scottish Government analysis based on data from the Rent Service Scotland and 2017/18 – 2018/19 LHA rates.

Box 1: LHA rates and access to Private Rented Sector housing stock in the Lothian BRMA

Claimant numbers show that around 3,000 households were entitled to the two-bed LHA rate in the Lothian BRMA in 2018. Comparing the 3,000 figure to estimates of the size of the Private Rented Sector stock in this area suggests that approximately 7 to 10% of the total two-bedroom stock in this area in 2018 was needed for claimant households. Meanwhile, due to the LHA freezes, we estimate that only 5% of the two-bed stock in the Lothian BRMA had rents within the LHA cap, i.e. it is very likely that the number of families eligible for LHA support was greater than the amount of housing stock available within the LHA cap. Furthermore, there would have been additional demand for cheaper two-bed properties in Lothian arising from non-LHA tenants (such as other low income households or students), which would have made it even more difficult for LHA claimants to find accommodation within the LHA cap. Ultimately, this would mean that a lot of families entitled to LHA support would have had to move into properties with rents above the LHA levels unless they decided to leave the area.

Figure 6 shows the share of the local rental market that the four-bedroom LHA rate can access. Overall, this LHA rate can access a larger share of the rental market when compared with other LHA bands.

Figure 6 – Proportion of the private rented sector that a large family needing a four-bedroom property could access in Scotland within the LHA rate

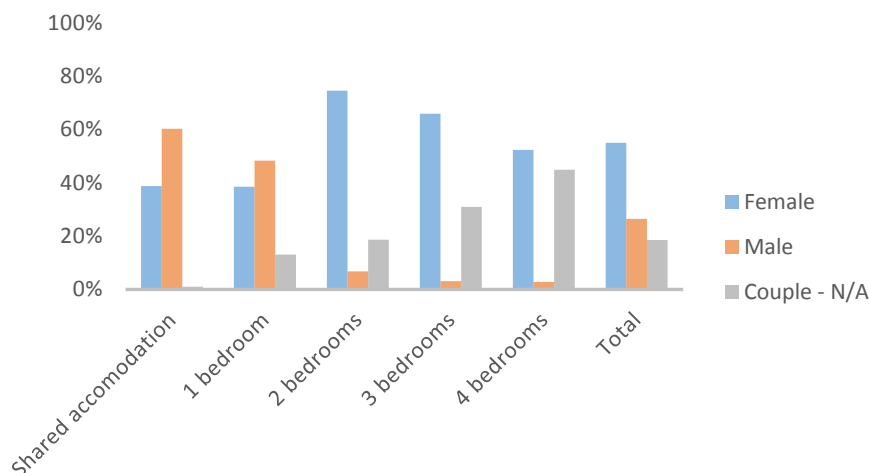


Source: Scottish Government analysis based on data from the Rent Service Scotland and 2017/18 – 2018/19 LHA rates.

From Table 1 it is clear that families living in Lothian and entitled to a four-bedroom property experience the highest weekly cash shortfall (£114.31). At the same time, however, the current Lothian LHA rate can access 10% to 15% of the rental market. In contrast, the corresponding LHA rate in South Lanarkshire can only access up to 5% of the rental market but the weekly gap between the LHA rate and 30th percentile is not the highest (£37.43). This demonstrates that the impacts of low LHA rates are complex, affect more than just areas with high housing costs and can make it difficult for families to access even the cheapest accommodation available. Furthermore, our 2018 analysis identified that families could access 15 to 20% of the local rental market in South Lanarkshire. This suggests that families are increasingly struggling to find affordable four-bed properties in this BRMA.

Figure 7 presents how caseload in each individual LHA band is split by gender and suggests that around 45% of all claimants entitled to a four-bedroom LHA rate have been couples. The remaining claims have been mostly made by single female claimants who are also likely to be lone parents.

Figure 7 – Housing Benefit PRS caseload in each LHA band by gender, Scotland (September 2018)



Source: Scottish Government analysis of DWP data (note that gender is only recorded for claims submitted individually).

Administrative Issues

Over and above the cuts to LHA rates, private landlords also have many issues with the administration of UC. The Scottish Association of Landlords, in their submission to the Scottish Parliament Social Security Committee’s inquiry into social security support for housing raise a number of practical issues in relation to what they describe as “the poor administration of the UC system by DWP”.

Recent research with private landlords at a UK level also suggests that UC may increase the risk of arrears. A UK-wide survey from December 2018 found that 75% of private landlords with UC tenants had experienced rent arrears in the last 12 months. Other research in England and Wales showed that 58% of 2,229 landlords had UC tenants that had fallen into rent arrears in the past 12 months - 82% of whom had entered arrears after a new claim or after migration onto UC.

The Scottish Association of Landlords has stated that “many landlords in Scotland have come to the decision that they would prefer not to take the financial risk of letting to tenants who are in receipt of Universal Credit.”

Whilst Scottish Ministers are firmly of the view that landlords should not be refusing tenancies to families on the basis of them being in receipt of benefits, it is important that the benefits system does not act to incentivise this behaviour.

Conclusion

It is clear that in many areas of Scotland the share of the rental market that is accessible to LHA claimants has become very limited. In some areas, and at some times of the year, this is likely to mean that there is not enough stock within the LHA caps for claimants. They will therefore have to rent above the LHA level and make up the shortfall. If they cannot afford to do so, they may be forced to move to another BRMA with lower rents (potentially away from their support networks and jobs), or

have to apply as homeless. The UK Government has no current plans to extend the LHA Freeze after March 2020 but it is still unclear how rates will be updated. Despite the UK Government's Targeted Affordability Funding to increase LHA support in areas with the highest divergence and attempts by the Scottish Government to mitigate some of the adverse impacts through Discretionary Housing Payments and Scottish Welfare Fund, the impact of inadequate support on families in Scotland remains profound.

Furthermore, there is compelling evidence as to the benefits of reversing the freeze. Research by Alma Economics²⁷, commissioned by Crisis, shows that restoring Local Housing Allowance rates to the 30th percentile will not only have positive impact on homelessness and poverty, but would see wider economic benefits too. If the UK Government were to restore rates through a £3.3 billion investment in Local Housing Allowance rates over three years there would be wider benefits of £5.5 billion. This means there is an overall benefit of £2.1 billion to restoring Local Housing Allowance rates to cover the cheapest third of private rents to prevent and end homelessness.

²⁷ [Local Housing Allowance: Options for reform \(2018\)](#)

6. Universal Credit

Interactions between welfare reform, tenant income and behaviour and rent arrears are complex and were discussed in the 2018 housing and social security report.

Despite rent arrears being difficult to simply or directly attribute to any one cause, UC has been widely singled out as a reason for increased social sector rent arrears as the benefit has rolled out across Scotland. The relationship between UC and rent arrears was a feature of a recent Scottish Parliament Social Security Committee inquiry²⁸. In their written submission, Citizens Advice Scotland (CAS) said *“during the past eighteen months, CAB clients’ rent arrears issues have predominantly been caused by them moving onto Universal Credit...evidence from Scotland’s CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit”*²⁹.

This section discusses new evidence on the impact of UC on social sector rent arrears and evictions as well as the difficulties in robustly measuring this impact.

UC roll out

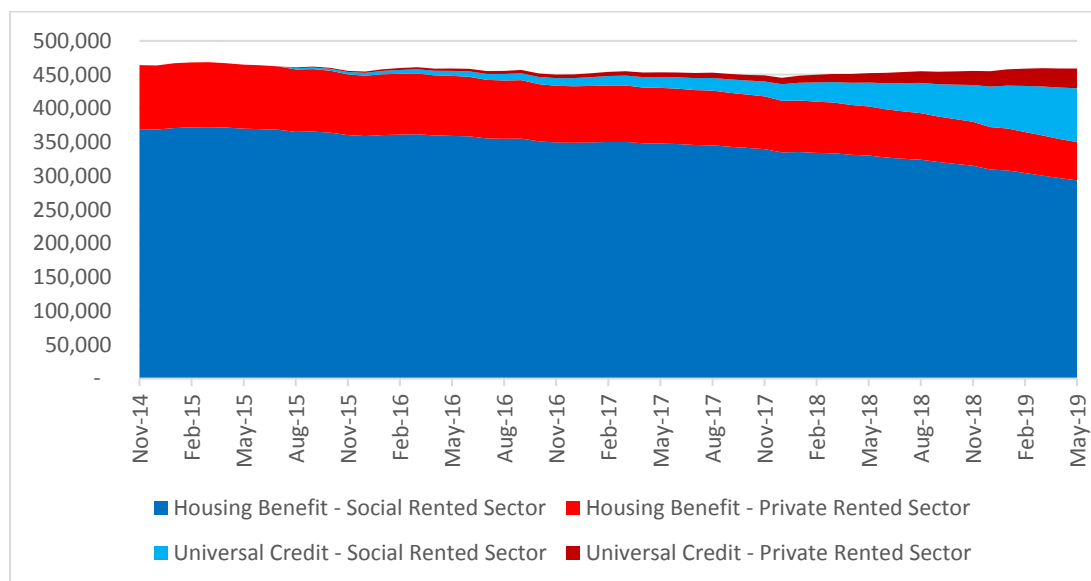
UC is now fully rolled out across Scotland for new claimants and households described by DWP as “naturally migrating” to UC, i.e. those experiencing a change of circumstances. Housing benefit will still be available to pension age households, and there is still a significant legacy caseload, with the managed migration of legacy benefit caseloads yet to begin in Scotland. Across the combined caseload about 80% of households have been in the social rented sector over the last decade, and that’s still true as of May 2019.

Figure 8 shows the roll out of UC over time. As can be seen the vast majority of people receiving housing support (76% as of May 2019) continue to receive the legacy housing benefit. This means that we can anticipate that any problems associated with UC could increase further, and could continue to grow substantially as more households move to UC between now and the complete migration of legacy cases, currently scheduled to be complete by December 2023.

²⁸ Scottish Parliament Social Security Committee report (2019) [Social Security Support for Housing](#)

²⁹ Social Security Committee Social Security Support for Housing (2019) [Submission from CAS](#)

Figure 8. Combined Housing Benefit and Universal Credit Housing Element caseload over time, Scotland



Source: DWP Stat-Xplore

UC and Rent Arrears

As at March 2019, rent arrears on all council properties in Scotland was £74m, up £9m (14.0%) on last year, representing 6.2% of Standard Rental Income from these properties. These arrears have been rising steadily year on year since March 2013³⁰.

There is some evidence of increased rent arrears disproportionately affecting UC tenants in the social rented sector and local authorities and housing associations have reported higher rates of arrears since the roll out of UC.

The Convention of Scottish Local Authorities (COSLA) provides figures from four local authorities who were first to experience UC full service roll-out (East Lothian, Highland, East Dunbartonshire and Midlothian councils). These figures suggest that rent arrears across these local authorities increased 26% between March 2016 and March 2018 - though they are now declining from the highest levels in some of these authorities³¹.

The housing revenue account³² shows at 31 March 2017 that in the five council areas where UC full service had rolled out in 2016/17 rent arrears had increased by an average of 14.1% compared with an average of 4.1% across the remaining councils³³.

³⁰ Scottish Government (2019) [Housing Revenue Account statistics: Scottish local authority housing income and expenditure 2018/19](#)

³¹ Social Security Committee Social Security Support for Housing (2019) [Submission from COSLA](#)

³² The Housing Revenue Account sets out income and expenditure in relation to a local authority's own direct provision of housing, for more information see the Scottish Public Finance Manual

³³ Audit Scotland (2017) [Housing Revenue Account 2016/17](#)

Inverclyde Council no longer has its own housing stock, but River Clyde Homes which took over the stock reported a 34% increase in rent arrears between 31 March 2016 and 31 December 2018 (with UC roll out starting in November 2016)³⁴.

The Scottish Federation of Housing Associations (SFHA) surveys its members monthly to gather evidence on the impact of UC. It reports that surveying has revealed a consistent pattern that the average level of arrears for tenants on UC is higher than for those tenants not on UC³⁵. Though not a representative sample of all its members, the results of the January 2019 survey revealed that the total arrears for tenancies claiming UC was 37% of the total rent due for those tenancies in January 2019, compared to 21% for tenancies not claiming UC³⁶.

Despite the evidence above there is a lack of robust data at caseload level needed to draw firm conclusions as to the extent of the impact of UC on rent arrears in Scotland. Nonetheless, it is likely that UC increases the risk of rent arrears because of how the UC system is designed.

Delays at the start of UC claims have been identified as being responsible for a large build-up of arrears - with the deliberate and planned waiting period for the first payment of five weeks being particularly identified³⁷. This leaves applicants without benefit income for the income assessment period which inhibits tenant incomes. Though advance payment loans are available in cases where there is no dispute about entitlement, this loan is then repaid from future UC awards, with up to 12 months to repay it. This reduces the net take home income of the household for this period.

In May 2019 the then UK Minister of State for Employment confirmed that deductions are now commonplace under Universal Credit - quoting that in February 2019, 57% of UK households claiming UC had their award reduced due to deductions³⁸. This reduced income creates particular problems in terms of arrears and evictions where there is a shortfall between rent and housing element entitlement or where the housing element entitlement is not used to pay rent³⁹.

The ability to cope with the delays at the start of UC claims will depend on individual tenant circumstances such as level of savings and employment status - but other UC design elements can trigger or exacerbate issues with the five-week wait for some. These include the high levels of UC advance repayment deductions and third party deductions (sometimes multiple) on the standard living allowance, lower payment levels comparative to legacy benefits⁴⁰ and difficulties with the Third Party Creditor Schedule system used for Managed Payments to Landlord and Universal Credit Scottish Choices Direct Payments (explained below in more detail).

³⁴ Social Security Committee Social Security Support for Housing (2019) [Submission from CoSLA](#)

³⁵ Scottish Parliament Social Security Committee report (2019) [Support for Housing](#)

³⁶ Scottish Federation Housing Associations (2019) [Universal Credit Survey Results January 2019](#)

³⁷ Shelter (2019) [From the frontline: Universal Credit and the broken housing safety net](#)

³⁸ Parliamentary Business Publications and Records (2019) [DWP Universal Credit: Written question - 257147](#)

³⁹ Shelter (2019) [From the frontline: Universal Credit and the broken housing safety net](#)

⁴⁰ Policy in Practice (2019) [Financial resilience and the transition to Universal Credit](#)

It was noted in the Scottish Parliament Social Security Committee report that rent arrears existed under Housing Benefit and many transfer to UC with existing arrears. Evidence from Edinburgh City Council submitted as part of the inquiry suggested that over 90% of people who went into arrears in UC upon roll out in Edinburgh had legacy arrears already⁴¹. The DWP has also consistently asserted that any arrears built up at the beginning of a claim will decrease after a time on UC⁴². However, due to the staged roll out of UC it is too early to tell if this is the case in most Scottish local authorities and, even if arrears can be expected to fall for individual cases, it is not clear whether they will fall to the same levels as are seen in the Housing Benefit caseload.

Some rent arrears are also classified as technical arrears which arise as a result of late payment or problems with the cash-flow or processing of the payment. The DWP has claimed that most arrears relating to UC are technical and that landlords should anticipate these payments being received, however Scottish landlords indicate that it is often difficult to determine the type of arrear easily⁴³.

Since roll out began the DWP has made, or is planning to make, a host of changes to the UC system including: the creation of a landlord portal to help landlords verify rent costs⁴⁴; increasing advance payments to 100% and extending the recovery period to 16 months; reducing the maximum rate of third party deductions from 40% to 30% of the standard allowance; reducing the earnings taper rate; increasing the work allowance (for some); ending the seven days waiting period; and installing a two week HB run-on⁴⁵. Whilst these reforms are expected to mitigate the impact of the move to UC to some extent, especially in terms of the ability of tenants to meet their housing costs, existing evidence on the impact of these reforms on rent arrears may not yet reflect these changes.

The Scottish Parliament's Social Security Committee has requested a detailed explanation of the steps being taken by the DWP to improve the payment process to reduce rent arrears, together with timescales and targets to achieve this⁴⁶.

Administrative Issues

Of particular concern to social sector landlords is the Third Party Creditor Schedule system used for Managed Payments to Landlord (which also has to be used by Universal Credit Scottish Choices Direct Payments)⁴⁷. This schedule takes place every four weeks, and so does not align with a tenant's UC monthly assessment period and payment cycle resulting in a disconnect between when a tenant receives their UC award and when a social landlord will receive housing costs. The length of this gap can vary over the course of a year and can result in significant delays of up to a month between a tenant and a landlord receiving their payments. This,

⁴¹ Social Security Committee (21 March 2019) [Official Report: Meeting of the Social Security Committee](#)

⁴² Social Security Committee (25 April 2019) [Official Report: Meeting of the Social Security Committee](#)

⁴³ Scottish Parliament Social Security Committee report (2019) [Social Security Support for Housing](#)

⁴⁴ House of Commons Library Briefing Paper No.6547 (2019) [Housing costs in Universal Credit](#)

⁴⁵ Policy in Practice (2019) [Financial resilience and the transition to Universal Credit](#)

⁴⁶ Scottish Parliament Social Security Committee report (2019) [Social Security Support for Housing](#)

⁴⁷ Social Security Committee Social Security Support for Housing (2019) [Submission from SFHA](#)

combined with knock on administrative issues, is placing a significant burden on social landlords, and has the potential undermine the effective delivery of UC Scottish Choices. The DWP has committed to developing a new payment system and rolling it out in early 2020, and the Scottish Government strongly supports this work, as it is in the best interests of tenants and landlords alike.

UC and social sector evictions

While heightening rent arrears can increase the risk of evictions, social sector eviction rates in Scotland are low, and the increase since 2013/14 in the number of evictions or abandonments has recently started to level off⁴⁸.

The 1,440 local authority tenancy terminations (including evictions and abandoned dwellings) in the latest year 2018/19 represents a slight decrease of 20 actions (1%) on the 1,460 the previous year, the first annual fall following the previous four consecutive annual increases⁴⁹.

The rate of local authority tenancy terminations continues to be very small, with the 1,440 evictions or abandonments in the latest year equating to only 1 in 200 (0.5%) of local authority tenancies in 2018-19⁵⁰.

Recent data from the Scottish Housing Regulator also suggest that the number of evictions or abandonments recorded by Registered Social Landlords has maintained at a relatively flat level between 2017/18 and 2018/19⁵¹.

Pre-action requirements came into force in 2012 and require social landlords to have exhausted all attempts to resolve the arrears with the tenant before taking action to evict⁵². The Scottish Association of Landlords (SAL) have also criticised the length of time it can take to evict a tenant in rent arrears despite changes to the Private Residential Agreement - around 7 months⁵³.

Conclusion

While there is evidence that the design of UC does increase the risk of social sector rent arrears, which in turn increases the risk of evictions, there are measurement challenges associated with defining a causal relationship. UC is one component of a wider welfare system and it is difficult to predict or measure the impact of a particular policy in isolation from other factors.

The incomplete, delayed and staged roll out of UC has also caused a time-lag in the collection, analysis and publication of detailed case-level data at a UK level and recently introduced reforms to the system will also take time to filter through.

⁴⁸ Scottish Government (2019) [Housing Statistics for Scotland 2019: Key Trends Summary](#)

⁴⁹ Scottish Government (2019) [Housing Statistics for Scotland 2019: Key Trends Summary](#)

⁵⁰ Scottish Government (2019) [Housing Statistics for Scotland 2019: Key Trends Summary](#)

⁵¹ Scottish Housing Regulator (2019) [Charter indicators and data by outcomes and standards](#)

⁵² Scottish Government (2018) [Housing statistics 2018: key trends summary](#)

⁵³ Social Security Committee Social Security Support for Housing (2019) [Submission from SAL](#)

Data collection by local authorities and housing associations at a Scottish level has also not been systematic or comprehensive and so there is a lack of accurate and robust data which would be needed to draw firm conclusions as to the extent of the impact of UC on rent arrears in Scotland.

Finally, other causes can contribute to rent arrears such as tenant incomes, rent rises and increases to the cost of living. For evictions there are likely to be some additional sets of factors over and above underlying rent arrears that are also driving trends over time in the numbers of eviction actions undertaken. Additionally, it is important to remember that rent arrears also existed under the Housing Benefit regime and many clients transfer to UC with existing arrears - further complicating the picture.



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