



Social Security Committee: Social Security and In-Work Poverty Inquiry

Submission from Crisis August 2018

Crisis is the national charity for homeless people. Crisis is dedicated to ending homelessness by delivering life-changing services and campaigning for change. We welcome the opportunity to respond to this inquiry on social security and in-work poverty. This response focuses on the relationship between housing costs and support through the benefit system and poverty, low income and homelessness.

In June 2018, Crisis published a comprehensive plan to end homelessness across Great Britain, *Everybody In*. This contains recommendations for all three governments of Britain. Many of the recommendations on social security are targeted at the reserved responsibilities of Westminster. We present them here as the Scottish Government and Scottish Parliament have an opportunity to ensure that these recommendations are implemented to support the work to end homelessness in Scotland. Recommendations targeted at the Scottish Government are highlighted in bold.

Homelessness, employment and social security

There is a strong link between people experiencing poverty and an increased risk of homelessness¹. Further recent evidence has highlighted the link between the risk of homelessness and experience of childhood poverty². Logically those with the lowest levels of income are at greatest risk of not being able to afford housing costs and therefore of homelessness.

Many people who are homeless or at risk of homelessness need to make use of the welfare system. Even where they are in work, they may be reliant on the welfare system to meet their housing costs, particularly when they are in low income work³. Local authorities consistently cite changes in welfare policy (and particularly Housing Benefit reductions) as posing the greatest challenge in assisting homeless people.

¹ Johnsen, S., & Watts, B. (2014). Homelessness and poverty: reviewing the links. Heriot-Watt University.

² Bramley, G. and Fitzpatrick, S. (2017): Homelessness in the UK: who is most at risk?, Housing Studies. Volume 3. Issue 1: 96-116.

<https://www.tandfonline.com/doi/full/10.1080/02673037.2017.1344957#abstract>

³ CIH analysis shows that a family with a net income of £20,000 would still be eligible for some benefits to top up earnings. For example, in 2017 a couple with two children would receive additional support for their children and would also qualify for Housing Benefit if their rent exceeded £106 per week on top of £20,000 of earned income. From: Pipe, D. (2017) CIH response to: work and pensions benefit cap inquiry. Coventry: Chartered Institute of Housing.

Crisis commissioned modelling from Heriot-Watt University which shows the projections of core homelessness⁴ based on current economic and policy direction. It showed that reversing the policy of welfare cuts would have a major impact, reducing projected core homelessness by 42% across Great Britain between 2016 and 2041⁵.

The vast majority of people who are homeless want to work. Between August 2017 and August 2018, 15% of new clients accessing Crisis' homelessness support services in Edinburgh and the Lothians were in work, and a further 51% were actively seeking work at that time. Employment and employability are key elements of helping people move out of homelessness. Some people will need relatively little support to find work, but others will need much more help to gain skills and qualifications, and get help with mental health problems or disabilities. They will also need good quality work with decent rates of pay. The ability to progress in their career will help to protect them from further homelessness in the future.

Affordability of housing for low-income households in work

The private rented sector is the fastest growing housing tenure in Scotland and now accounts for 15% of housing stock in Scotland, compared to just 5% in 1999⁶. Analysis by Crisis and the Chartered Institute of Housing looked at the possible living standards people could achieve in different circumstances based on the affordability of privately rented properties. It looked at three measures of living standards: the amount people receive on benefits, the poverty line (usually slightly higher), and Joseph Rowntree Foundation's Minimum Income Standard (MIS)⁷.

Because housing costs take up such a large proportion of people's income, many people must still manage low budgets even when they are in work. Young people are particularly affected because of lower National Minimum Wage rates and restrictions in the rate of Local Housing Allowance for under 35s.

This means that moving off benefits and into work brings little increase in living standards, because housing costs will continue to absorb so much of the household income. This is particularly true for younger cohorts. This can place households at greater risk of homelessness.

For 18-20 year olds, even moving into full-time employment means they continue to be priced out of a significant part of the private rented sector in the majority of rental market areas⁸ if attempting to live at a standard of living equivalent to the UK poverty line.

⁴ Core homelessness is defined as rough sleeping, and living in dangerous and non-residential accommodation, hostels and night shelters, domestic violence shelters, unsuitable temporary accommodation (such as B&Bs) and sofa surfing.

⁵ Bramley, G (2017) Homelessness projections: core homelessness in Great Britain. Crisis

⁶ Scottish Household Survey (2017) Scotland's People key findings
<https://gov.scot/Resource/0052/00525051.pdf>

⁷ The income levels given in the Minimum Income Standard mean the chances for households to be behind on bills or go into rent arrears are substantially lower compared to households measured as living in relative poverty. Households living at these levels are therefore considered to experience reduced financial vulnerability and homelessness risk.

⁸ DWP divides Scotland into 18 Broad Rental Market Areas (BRMAs) for the purpose of calculating housing benefit rates in the private rented sector (known as Local Housing Allowance).

Looking at the higher threshold of the Minimum Income Standard as the living standard, the only groups who can reach this threshold are single people aged over 21 who are working full time, and couples aged 25 and over where both adults are working.

Young people aged 18-20, couples where there is only one earner, and households in part-time work are particularly at risk of homelessness because of the lack of affordability in the private rented market. For under 35s living in shared accommodation, securing full-time work at the national minimum wage does improve private rented sector affordability, but it does not necessarily enable households to live at a higher standard of living. Working part-time does not lower affordability too considerably because Universal Credit offers support with housing costs, as long as the household is prepared to live at a benefits-level of living standard (rather than the higher standards of the poverty line or the Minimum Income Standard).

For single people and one-earner couples over 35 who are renting and entitled to the one bedroom rate (rather than the lower Shared Accommodation Rate), affordability is more problematic. The private rented sector remains largely out of reach in any rental area for a single earner household working full-time and living at the MIS, and even living at the poverty line is a challenge in a number of areas. In Fife and North Lanarkshire for example, just 38% of the private rented sector is affordable.

Families with two children and one earner can afford more than 50% of the private rented sector across Scotland and have a residual income after housing costs to live at the poverty line. However, because of additional support provided through the benefits system for families, including the child elements of Universal Credit, there is little difference between the amount a family would receive on benefits and the poverty line. None of these families would be able to live at the MIS when in full time employment and afford any of the private rented sector in Scotland. This does not change where there is a second earner in the family.

Tables for each category of household are set out in the appendix. Affordability varies by area across the different household types. Lothian, Fife and Greater Glasgow are some of the least affordable rental market areas across different household types.

The analysis does not take into consideration whether different types of accommodation are available or the need to pay childcare costs. Families with childcare costs are also likely to struggle significantly.

Accessing private rented accommodation when looking for work

Having a stable home gives people the best chance to be able to move into sustainable work. For those people unable to afford rents in the private sector Local Housing Allowance (LHA) is part of Housing Benefit and Universal Credit which covers the cost of private renting. There are specific rates for different household sizes and ages, including a rate for people under 35 that is designed to only cover sharing a property.

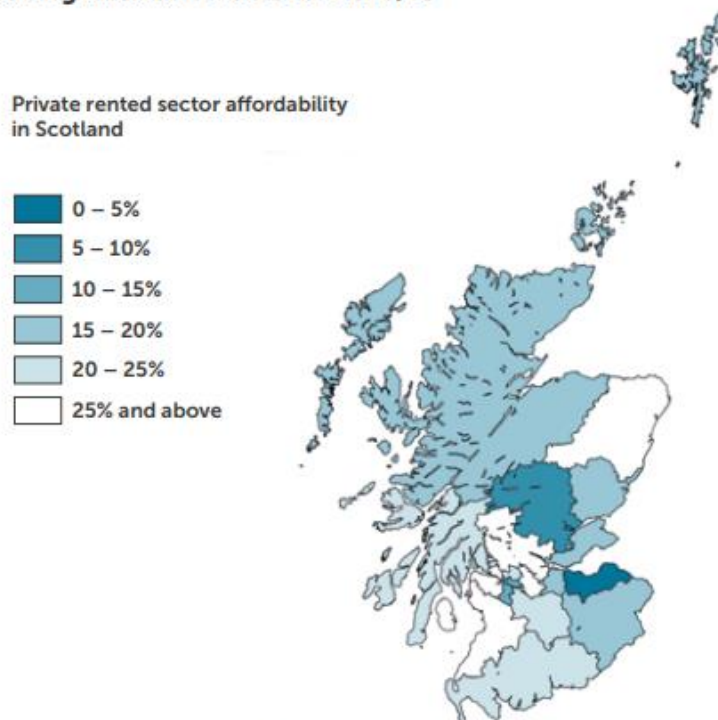
In recent years, a range of measures have been brought in by the Westminster Government to limit LHA, including restricting the proportion of the private rented housing market that people on LHA can access from 50% to 30%. Subsequently the way LHA is updated has changed and then frozen. This means there is an increasing

mismatch between local rents and what people can receive through LHA, and so people on LHA can access less and less of the market.

The cumulative effect of these changes, as well as strong competition for properties in the cheaper end of the rental market, means it is increasingly difficult to find and afford private rented sector housing. Our analysis also shows that in 15 out of 18 of the rental markets in Scotland there is a monthly shortfall between rents and the amount of LHA tenants can receive.

The rental markets that prove to be notably unaffordable (i.e. less than 15% of the private rented sector is affordable) across all house types, and therefore for all household types in the research (single people, couples, and families), are Lothian, West Lothian, Perth and Kinross, and East Dunbartonshire.

Figure 10.3 Private rented sector affordability in Scotland within one-bedroom Local Housing Allowance rates for 2018/19



Source: Crisis and CIH analysis using Rent Service Scotland data.

From Crisis (2018) Everybody In: How to end homelessness in Great Britain

For example, the map above shows that people receiving LHA needing a one bedroom property can afford to access less than 15% of the housing market in much of Scotland.

In Lothian, someone looking for a one bedroom property could afford just three per cent of the private rented sector, and would need an extra £20.22 every week to afford 30 per cent of the market. Someone in Dundee and Angus could afford 19% of private rented properties. People under 35 will especially struggle to find affordable housing compared to other households, because they are only eligible for the LHA rate for shared accommodation.

Crisis recommends that Scottish Government should ensure all new tenancies include clauses that limit annual rent increases to a maximum of an inflationary measure.

Reforming the reserved welfare system

Crisis has made a number of recommendations on how to improve the affordability of the private rented sector for low income families. These recommendations are all directed at the Westminster Government, but would make a major contribution to preventing and alleviating homelessness and poverty in Scotland if implemented.

- Return Local Housing Allowances rates to the 30th percentile of market rents
- Further improve the accuracy of Local Housing Allowance rates by using annual data from a national register on the size (number of bedrooms) of private landlords' rental property and the level of rent they are charging.
- Change the way Local Housing Allowance is updated to match average projected rent increases
- Exempt the following groups of homeless people and those at risk of homelessness from the Shared Accommodation Rate: people made a Housing First offer; care leavers; people fleeing domestic abuse; prison leavers moving on from 'Approved Premises'; and people with experiences of homelessness with alcohol and drug dependence issues
- Introduce greater flexibility to lift the benefit cap in specified circumstances relating to homelessness
- Reform, the conditionality and sanctions regime to ensure it does not cause homelessness
- Reinstate entitlement to Housing Benefit for EEA nationals with jobseeker status.

The Homelessness and Rough Sleeping Action Group, chaired by Crisis' chief executive Jon Sparkes, was asked by the Scottish Government to develop a comprehensive set of recommendations ultimately aimed at ending homelessness. Part of their final report⁹ focused on the impact of the welfare system on homelessness, and the recommendations they made closely match the ones made by Crisis in our plan to end homelessness.

HARSAG recommendations relating to welfare

To ensure the social security offer supports households to avoid homelessness and to exit homelessness as quickly as possible when it does occur. As key elements of this, we recommend Scottish Government examine the case and pursue changes for the following:

- *The way Local Housing Allowance is calculated needs to be reformed, raised to the 30th percentile everywhere, as well as being updated on a regular basis*
- *The overall Benefit Cap needs to be raised and the benefit freeze ended so that households are not forced into destitution – this is especially true for single people in*

⁹ Ending Homelessness: The report on the final recommendations of the Homelessness and Rough Sleeping Action Group

<https://beta.gov.scot/binaries/content/documents/govscot/publications/factsheet/2018/06/homelessness-and-rough-sleeping-action-group-final-report/documents/c98c5965-cabf-4933-9aae-26d9ff8f0d12/c98c5965-cabf-4933-9aae-26d9ff8f0d12/govscot:document/?inline=true>

younger age groups who are particularly vulnerable to homelessness and destitution as a group

- With the introduction of Universal Credit, deduction rates for advances, arrears, overpayments and all other third party deductions should be reduced; exemptions for the Shared Accommodation Rate need to be extended; and the 5-week waiting time needs to be removed as this creates arrears right from the start*
- There should be independent Housing/Homelessness specialists in Job Centre Plus with funding available to be made available to existing advice providers rather than directed by the Department for Work & Pensions (DWP)*
- Work Capability Assessment to include homelessness as a 'supplementary descriptor'.*
- DWP to assess the likely impact of a benefit or social security sanction before issuing and sanctions should not be issued unless the DWP can satisfy itself that it will not cause homelessness*

Operational issues with Universal Credit

Crisis works across Edinburgh and East Lothian, the latter of which is a full service Universal Credit area. The Crisis team have encountered numerous problems with the administration of Universal Credit for clients in receipt of it. Overall, we feel that this experience is improving, and having direct contacts with staff in Musselburgh Jobcentre has helped significantly with this.

We have worked with clients who have a fluctuating income, crossing the threshold at which the benefit cap takes effect. This means that the benefit cap is applied erratically, and makes it very difficult for people to budget or know what support they should be getting from Universal Credit.

The Scottish Government have recently introduced the flexibility for all Universal Credit recipients to request fortnightly payments, which is very welcome. However, we have come across two issues with this which affect our clients. Even when someone is on fortnightly payments, their Universal Credit statement continues to record them as monthly payments. This has caused anxiety and confusion for some of the people we work with.

Second, if a claimant receives fortnightly payments, then their rent is paid fortnightly, even where it is paid direct to the landlord. This means people are forced to choose between fortnightly payments or making a payment direct to their landlord. This undermines the benefit of these two mechanisms in supporting people who may find it difficult to manage their money effectively.

We recommend that the Scottish Government works with the DWP to ensure that the administrative processes around the options to request fortnightly payments and direct payments of rent to landlords work in the best interests of vulnerable claimants.

There is no way of pre-empting requirements for information within the Universal Credit process. For example, unlike with Housing Benefit, it is not possible to submit a lease as proof of rent requirements until the Universal Credit application has been registered and looked at by a member of staff. This can add in further delays to the process, when

people are already having to wait weeks for their initial payment. One of our clients was evicted from her flat as a result of this delay, and ended up in the homelessness system as a result.

Finally, we have encountered several cases where clients who have requested direct payments of rent to their landlord continue to receive the rent payments into their own bank account. When the request for direct payments has been made in the best interests of the client then this can be problematic. In one case, we were working with a client with a history of alcoholism, and it required considerable work to sort the problem out quickly and ensure the payments were transferred to the landlord as they should have been.

Making Universal Credit fit for purpose

For Universal Credit to be an effective tool for responding to and preventing homelessness, it needs to function correctly. In Crisis' Plan to End Homelessness we identified a number of solutions that the DWP needs to implement to make Universal Credit function effectively and relieve or prevent homelessness. Although some of these are reserved to the Westminster, the following recommendations can be addressed, at least in part, through practice change by the DWP within Scotland:

- reducing errors and delays in processing Universal Credit claims must be resolved by increasing staff capacity and training
- Establish a network of housing and homelessness leads in Jobcentre Plus
- Incorporate homelessness and housing need into the Jobcentre Plus work coach assessment framework
- Reform the sanctions and conditionality regime to ensure that sanctions do not cause, exacerbate homelessness

The UK Government has agreed to have homelessness leads in every Jobcentre and to building more effective links with housing and homelessness organisations, with clear guidance on supporting rough sleepers through its recently published rough sleeping strategy for England¹⁰. This has already been implemented in Edinburgh as a result of work with Crisis Skylight Edinburgh. This model should be rolled out by the DWP across Scotland, and we would welcome further details of how this will be taken forward.

Ultimately preventing homelessness should be part of the outcomes framework for Jobcentres. Crisis would be keen to work with the DWP to develop training for these leads, based on the work we have done in Edinburgh.

As a result of joint working with Crisis, every Jobcentre Plus in Edinburgh now has appointed a homelessness lead and awareness of homelessness is now embedded in all five Jobcentres. This is through delivering training to Jobcentre staff, building relationships with advisors, working with the employment and partnership manager and the homelessness leads in the Jobcentres. A third of Crisis Edinburgh referrals now come from Jobcentre staff.

¹⁰ Ministry of Housing, Communities and Local Government (2018) Rough sleeping strategy https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733421/Rough-Sleeping-Strategy_WEB.pdf

Because of the close relationships we've established with the Jobcentres, instead of fighting off sanctions as previously, none of our members have been sanctioned. This is because we have been able to work with the Jobcentre staff to adapt claimant commitments, and get them to be flexible around appointments.

Appendix: Affordability of different housing markets by living standard and different Local Housing Allowance rates

Living at the UK poverty line			
Most affordable BRMAs ¹¹		Least affordable BRMAs	
Scottish Borders	66%	Fife	38%
Dundee and Angus	59%	North Lanarkshire	38%
Dumfries and Galloway	58%	South Lanarkshire	41%
Renfrewshire/Inverclyde	57%	Ayrshires	43%
Perth and Kinross	57%	West Dunbartonshire	44%

Table 1: Affordability of shared accommodation in the private rented sector for 18-20 year olds when working full time at the national minimum wage (% of housing market that is affordable)

Table 2: Affordability of shared accommodation in the private rented sector for 21 – 24 year olds when working full time at the national minimum wage

Living at the poverty line				Living at the MIS			
Most affordable BRMAs		Least affordable BRMAs		Most affordable BRMAs		Least affordable BRMAs	
Scottish Borders	100%	Lothian	85%	Renfrewshire/ Inverclyde	76%	East Dunbartonshire	27%
Perth and Kinross	100%	Fife	91%	Perth and Kinross	76%	Great Glasgow	28%
Dumfries and Galloway	100%	Forth Valley	91%	Dumfries and Galloway	75%	Lothian	30%
Argyll and Bute	100%	Ayrshires	94%	Argyll and Bute	72%	Aberdeen and Shire	36%
West Lothian	99%	North Lanarkshire	95%	Dundee and Angus	71%	Forth Valley	46%

¹¹ BRMA is Broad Rental Market Area. There are 18 in Scotland and are defined by DWP. They are: Aberdeen and Shire; Argyll & Bute; Ayrshires (North, South, East); Dumfries & Galloway; Dundee and Angus; East Dunbartonshire; Fife; Forth Valley (Clackmannanshire, Falkirk, Stirling); Greater Glasgow; Highland and Islands (Highland, Moray, Orkney, Western Isles, Shetland); Lothian (City of Edinburgh, East Lothian, Midlothian); North Lanarkshire; Perth & Kinross; Renfrewshire / Inverclyde; Scottish Borders; South Lanarkshire; West Dunbartonshire; West Lothian

Table 3: Affordability of shared accommodation in the private rented sector for 25 – 34 year olds when working full time at the national minimum wage

Living at the poverty line				Living at the MIS			
Most affordable BRMAs		Least affordable BRMAs		Most affordable BRMAs		Least affordable BRMAs	
West Lothian	100%	South Lanarkshire	85%	Dumfries and Galloway	98%	Greater Glasgow	51%
West Dunbartonshire	100%	East Dunbartonshire	92%	Renfrewshire/Inverclyde	91%	Lothian	51%
Scottish Borders	100%	Lothian	93%	Scottish Borders	90%	East Dunbartonshire	59%
Renfrewshire/Inverclyde	100%	Forth Valley	94%	Perth and Kinross	89%	Aberdeen and Shire	68%
Perth Kinross	100%	Greater Glasgow	95%	West Lothian	88%	South Lanarkshire	71%

Table 4: Affordability of one bedroom properties in the private rented sector for single people aged 35 and older when working full time at the national minimum wage

Living at the poverty line				Living at the MIS			
Most affordable BRMAs		Least affordable BRMAs		Most affordable BRMAs		Least affordable BRMAs	
West Dunbartonshire	100%	Greater Glasgow	45%	Scottish Borders	52%	Aberdeen and Shire	0%
Scottish Borders	100%	Lothian	45%	Ayrshires	25%	East Dunbartonshire	0%
Dumfries and Galloway	99%	East Dunbartonshire	76%	Dundee and Angus	20%	Greater Glasgow	0%
South Lanarkshire	98%	Highlands and Islands	77%	Renfrewshire/Inverclyde	16%	Lothian	0%
Renfrewshire/Inverclyde	98%	Aberdeen and Shire	86%	Forth Valley	15%	West Lothian	0%

Table 5: Affordability of one bedroom properties in the private rented sector for couples aged 25-34 with two earners in the household

Living at the poverty line				Living at the MIS			
Most affordable BRMAs		Least affordable BRMAs		Most affordable BRMAs		Least affordable BRMAs	
West Lothian	100%	Lothian	97%	East Dunbartonshire	100%	Greater Glasgow	72%
West Dunbartonshire	100%	Greater Glasgow	98%	West Dunbartonshire	100%	Lothian	77%
South Lanarkshire	100%	Forth Valley	99%	Scottish Borders	100%	Fife	96%
Scottish Borders	100%	Highlands and Islands	99%	South Lanarkshire	99%	Forth Valley	96%

Renfrewshire/Inverclyde	100%	Aberdeen and Shire	100%	North Lanarkshire	99%	Argyll and Bute	97%
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Table 6: Affordability of two bedroom properties in the private rented sector for a family with two children with earners aged 21-24

Living at the poverty line with one earner working full time				Living at the poverty line with one earner working full time and a second earner working part time			
Most affordable BRMAs		Least affordable BRMAs		Most affordable BRMAs		Least affordable BRMAs	
Dumfries and Galloway	99%	Lothian	53%	West Lothian	100%	Greater Glasgow	92%
North Lanarkshire	98%	Greater Glasgow	55%	West Dunbartonshire	100%	Lothian	92%
West Dunbartonshire	96%	East Dunbartonshire	71%	Scottish Borders	100%	Aberdeen and Shire	98%
Ayrshires	96%	Forth Valley	78%	Perth and Kinross	100%	East Dunbartonshire	98%
West Lothian	95%	Aberdeen and Shire	84%	Dumfries and Galloway	100%	Fife	98%

Table 7: Affordability of two bedroom properties in the private rented sector for a single parent aged between 21-24 with one child

Living at the poverty line			
Most affordable BRMAs		Least affordable BRMAs	
West Lothian	100%	Greater Glasgow	87%
West Dunbartonshire	100%	Lothian	89%
Scottish Borders	100	East Dunbartonshire	97%
Perth and Kinross	100%	Fife	97%
Dumfries and Galloway	100%	Aberdeen and Shire	97%