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The Rt. Hon David Gauke MP
Secretary of State for Work and Pensions
Caxton House
Tothill Street
LONDON
SW1H 9NA

12 October 2017

Dear David

LOCAL HOUSING ALLOWANCE IN THE SOCIAL RENTED SECTOR

We are writing to you regarding the UK Government's policy which will introduce the Local Housing Allowance (LHA) Rates to the social rented sector. The Scottish Government has been working with local government and others across the sector to understand the potential implications on devolved housing policy.

Since 2010 a series of reforms have been made to housing support, which have had a cumulative impact on communities across Scotland. The continued roll out of Universal Credit is also having a damaging effect, about which Scottish Government and COSLA wrote to you recently. We need not remind you that housing policy is a devolved matter, yet it is clear that DWP policy has had a substantial impact on Scotland's pursuit of its housing objectives, and on the management of the sector by council and other social landlords.

It is clear that the intention behind this policy is as a cost saving exercise, but we hope you will also be aware that Social Sector Rents in Scotland remain affordable in relationship to rents in other sectors and other parts of the UK. We are satisfied that both Local Authority and Registered Social Landlord rents strike a balance between affordability and the costs of maintenance and services. The consistent investment in affordable and social sector new supply therefore results in a cost saving for the DWP. It would be concerning if the impact of this policy on landlords undermined their ability to contribute to the ambitious supply programme in Scotland. In addition to not recognising the different housing market in Scotland this policy also cuts across our homelessness legislation, access to social sector housing is essential to allow local authorities to discharge their homelessness duties. You may be aware of a renewed policy commitment to tackling homelessness and it is again concerning if DWP policy might undermine this.

One of the largest concerns for the sector is about the impact, both for landlords and tenants, of the SAR, if it is introduced to the sector along with the wider structure of LHA rates, for this reason the Scottish Government and the Chartered Institute of

Housing in Scotland commissioned research into the impact of the policy on those likely to be affected by the rate, assuming it was applied on the same basis as in the private sector. The report attached demonstrates that many young people in the social sector will face a substantial shortfall in their rent if the SAR is applied. Around 12,000 single tenants under the age of 35 living in mainstream social housing may be affected, and the likely shortfall for this group, based on 2015/16 housing benefit data would be between £5.3m and £8.6m per year. We anticipate that the annual impact is likely to grow before implementation and towards the end of the current freeze on LHA rates, the impact beyond that point will be dependent on your policy in relation to those rates.

The report considers mitigating action that could be taken by tenants, by the sector or by the Scottish Government. You will note that in most cases there is unlikely to be any scope for tenants to reduce their housing costs, as they will already be in some of the most affordable housing available to them. In addition tenants affected will have limited resources from which to meet the shortfall, especially under 25s subject to reduced levels of Job Seekers Allowance or standard allowance in UC. As the SAR is based on an assumption that many of those in this age group will share accommodation with others the report has considered whether this is a viable prospect in the social sector. There are currently no examples of social sector sharing in mainstream tenancies in Scotland so it is difficult to assess the viability of this option overall, but we are aware that for many tenants this will not be an appropriate route. Options for landlords or the Scottish Government are limited, and in any case are likely only to shift, rather than reduce the overall financial burden.

Due to the clear damage the introduction of LHA rates into the social sector will cause to tenants and council and registered social landlords we urge you to reconsider this policy. In the first instance we would ask you to abandon your intention to apply LHA rates, to the social sector. If you do intend to continue with this policy we strongly suggest on the basis of the evidence provided that you not apply the shared accommodation rate, and instead leave the one bedroom rate as the lowest rate for those affected.

We look forward to your response.

Kind regards



KEVIN STEWART MSP
Minister for Local Government and
Housing



COUNCILLOR KELLY PARRY
COSLA Community Wellbeing
Spokesperson