

# Evidence submitted by Chartered Institute of Housing Scotland: 21 October 2019

## About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world including over 2,000 in Scotland.

Further information is available at: [www.cih.org](http://www.cih.org)

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## 1. General comments

- 1.1 CIH Scotland welcomes the opportunity to respond to the Social Security Committee's call for evidence on benefit take up. Supporting people to claim benefits that they are entitled to can help to increase quality of life for those who need it most and will contribute to the Scottish Government's ambitious targets to end homelessness, improve health and wellbeing and tackle poverty and inequality. As the professional body for the housing sector, our submission mainly focusses on benefits related to housing costs but we acknowledge that there are significant issues with the take up of other benefits, in particular disability benefits. We trust that these issues will be addressed by other specialist organisations in the course of this enquiry.
- 1.2 The housing sector has a strong track record of increasing benefit take up through income maximisation services and there are some key learning points we think that the Scottish Government should implement. These are covered in more detail below but include:
  - Identification of groups that are likely to be entitled to benefits but unaware of their entitlement;
  - Partnership working and data sharing with other bodies; and
  - Proactive targeted communication.
- 1.3 This submission covers issues with the take up of certain legacy benefits, universal credit (UC) to date and the likely impact of managed migration to UC before discussing strategies that could be used to encourage better take up.

## 2. Take up of legacy benefits and pension credit (Source: [DWP take-up statistics](#))

- 2.1 Take up rates of the passport legacy benefits income support (IS) and income-related employment and support allowance (ESA(IR)) tend to be higher than for housing benefit (HB). This may be because IS and ESA(IR) are out of work benefits and without them claimants are likely to have no income. HB can be claimed in and out of work and across a wider range of incomes. Overall take up of HB is around 80 per cent by caseload (86 percent by expenditure) compared to take up of IS and ESA(IR) at around 84 per cent by caseload (88 per cent by expenditure).
- 2.2 Take up of pension credit is substantially lower at around 60 per cent by caseload (64 per cent by expenditure) declining further with increasing age. The reasons for this are complex but include differences in attitudes to claiming, the fact that the vast majority qualify for the state pension (which is deducted from overall entitlement) and the declining real value of pensions over time (so that the proportion who qualify increases with age). Pension credit can also include an element for service charges paid by owner-occupiers which very few are aware of. If the planned introduction of housing credit (the transfer of help with rent from pension age HB to pension credit) goes ahead as planned from 2023 onwards, then some of the issues concerning take-up will be similar to those of UC (see section 4 below).
- 2.3 The overall take up figures hide varying levels of take-up for different cohorts within. In relation to HB, take up rates are substantially lower for couples with children at 59 per cent

by caseload (74 per cent by expenditure) and take up rates are lower for private tenants 69 per cent by caseload (79 per cent by expenditure) compared to social rented tenants (86 and 91 per cent). The reasons for this are likely to be linked to take up of passport benefits (lone parents more likely to claim IS and move into part time work) and lack of awareness about entitlement at the upper range of earnings.

- 2.4 Another likely factor is that private renting tends to cater for a wider range of economic status and both awareness of entitlement and propensity to take up is lower among working households and is likely lower among full time as among part time workers. In addition, social housing tenants are likely to benefit from their landlord employing specialist advice staff, or at least having staff with good knowledge of entitlement and for issues such as rent arrears to trigger a conversation about income and entitlement.

### 3. Take-up of tax credits

- 3.1 The last available estimates of take up rates for tax credits was published by Her Majesty's Revenue and Customs (HMRC) in December 2017 and relate to the 2015/16 tax year<sup>1</sup>. The caseload take-up rates for child tax credit (CTC) and working tax credit (WTC) were 83 per cent and 63 per cent respectively. Tax credits do not include an identifiable element towards housing costs, but they do count as income towards HB. The overall result is that they tend to have the effect of 'floating off' in-work renters from HB entitlement altogether. However, this is not the case for tenants with higher rents. For any given household type there is level of rent after which the upper earnings threshold for HB exceeds the upper earnings threshold for tax credits and therefore the household could be entitled to partial HB. These upper rent levels can be calculated and used to target households to improve take up, although since February 2019 no new claims can be made for working age HB (barring certain limited exceptions).

### 4. Take up of universal credit (UC)

- 4.1 The replacement of six legacy benefits with UC should help improve the take-up of help with housing costs for working age claimants. The replacement with a single benefit for claimants in-work and out-of-work should remove the problems associated with different benefits having different upper earnings thresholds depending on rent levels (see section 3 on tax credits above). It should also eliminate, or at least greatly reduce, the failure in take-up due to the termination of awards when claimants start work. It also eliminates the complex qualifying rules concerning age (under or over 25), status (with or without children) and hours worked (16, 24 or 30) that apply to tax credits.
- 4.2 However, it does not solve the problem of poor take-up due lack of knowledge about entitlement (such as those who now qualify but did not under legacy benefits). Since rent and child care costs are included in the overall block of award (the 'maximum UC') that is steadily tapered away by the earnings, **there is potentially a large group of claimants with moderate earnings or even in the upper deciles of earnings who qualify for UC but are unaware that they do so.** One advantage of UC is that it makes the upper earnings

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<sup>1</sup> Child Benefit, Child Tax Credit and Working Tax Credit take-up rates 2015 to 2016  
<https://webarchive.nationalarchives.gov.uk/20181002064637/https://www.gov.uk/government/statistics/child-benefit-child-tax-credit-ctc-and-working-tax-credit-wtc-take-up-rates-2015-to-2016>

thresholds relatively simple to calculate which can then used for sophisticated targeting of potential claimants by combining HMRC data about earnings with data about rents – such as local housing allowance (LHA) rates. An example of this type of targeting is shown below.

- 4.3 Tables 1 and 2 below show the approximate gross annual earnings in the tax year 2019/20 required to escape UC for two different household types in different areas across Scotland. Both households include a single earner, have two children and are living in the private rented sector, paying rent at the LHA rate. Households with children earning less than this threshold rate are likely to be entitled to a UC payment.

**Table 1: a couple (at least one aged 25 or over) with two children**

		UC escape earnings, single earner (Gross annual)	
BRMA	Two Bedroom LHA entitlement (Weekly)	Auto-enrolled pension contribution	No pension contribution
Glasgow	£120.03	£43,271	£41,088
Lothian	£154.28	£47,690	£45,246
Aberdeen	£133.48	£45,008	£42,721

**Table 2: a lone parent aged 25 or over with two children**

		UC escape earnings, single earner (Gross annual)	
BRMA	Two Bedrooms LHA entitlement (Weekly)	Auto-enrolled pension contribution	No pension contribution
Glasgow	£120.03	£37,884	£36,017
Lothian	£154.28	£42,302	£40,174
Aberdeen	£133.48	£36,619	£37,649

- 4.4 A person over the age of 25 working 37 hours per week at national minimum wage will have gross earnings of £15,796<sup>2</sup> well below the threshold to escape UC. According to Office for National Statistics (ONS) figures, the median full time gross weekly earnings for UK Households in 2018 were £569<sup>3</sup> or an annual income of £29,588, still within the threshold for UC entitlement for the scenarios shown in both tables above.

## 5. Migration to UC

- 5.1 Managed migration to UC is currently being piloted in one local authority area in England so the exact processes are still being worked out. The existing regulations for this (which are expected to provide the basic framework) require the person to make a claim for UC after

<sup>2</sup> UK Government National Minimum Wage: <https://www.gov.uk/national-minimum-wage-rates>

<sup>3</sup> ONS employee earnings in the UK 2018: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018>

being served with their migration notice. The Department for Work and Pensions (DWP) is understandably reluctant to convert existing legacy benefits to UC based on existing data because of their previous experience of converting incapacity benefit claims to ESA which resulted large numbers being underpaid (largely because of out of date data). Although DWP is probably right to require a fresh claim, **it comes with the risk that large numbers of prospective claimants may fail to claim or be left with gaps in their entitlement unless the processes are designed sensitively.** The Help to Claim<sup>4</sup> service provided by Citizens Advice Scotland on behalf of the DWP may help mitigate this risk but at the time of writing the DWP contract only runs up to the end of March 2020. Clarity on the extension of this service or alternative plans following 2020 would be welcome.

- 5.2 Even if managed migration is handled well, it still does not take account of prospective UC claimants who, for whatever reason, do not qualify for legacy benefits, have failed to take up their entitlement, or who do not qualify for a legacy benefit but would qualify for UC.

## 6. Take-up of other benefits: consequences for housing costs

- 6.1 Qualification for certain (non means tested) disability benefits can result in qualification for a means-tested benefit – including help with housing costs – where previously there was none. This will happen where the award of a disability benefit which is not taken into account as income results in a higher maximum threshold.

## 7. Strategies for take-up

- 7.1 Local authorities have over thirty years of experience of running successful take up initiatives that could be drawn on. Learning from the experience of earlier campaigns, the following principles can be used to guide successful campaigns:
- Above all else, success is largely dependent on accurately targeting those who are likely to qualify. Loose or poorly targeted information to prospective claimants can be counter-productive (e.g. encouraging people to claim who have little chance to qualify, and thereby making less likely to respond to future prompting if their circumstances change).
  - Personalised messages are much more likely to elicit a response. This can be achieved by informing the target what you know about them (i.e. the reason why they have been selected). Generalised reasons (e.g. “we are writing to you because you might be entitled to claim”) are much less effective.
  - It follows that data used to target subjects should be accurate, up-to-date and sufficiently precise to enable accurate targeting.
  - Follow-up support increases the chances of success, but it must be as accessible as promised. For example, telephone helplines for enquiries must be adequately staffed to cope with the demand and support should be available in as many channels as possible. Very few people will make more than one attempt and if it fails, they are unlikely to respond to future targeting.

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<sup>4</sup> Citizens Advice Bureau, Help to Claim: <https://www.cas.org.uk/helpclaim>

- Small scale tightly controlled campaigns (e.g. restricted to a few discreet postcodes) then repeated to build scale can help manage demand and are therefore likely to be more effective than 'big bang' heavily promoted national campaigns with a single launch date.

## **8. Use of data for take-up**

- 8.1 HMRC holds very rich data about UK residents' personal incomes (and savings) which could be used to ensure any campaign is accurately targeted. There are data protection issues arising from the sharing of sensitive data (especially where reason for data being held was for a different purpose). But these are more likely to be satisfied where there is a clear advantage to the data subject (as opposed to the data processor). For example, the Information Commissioners Office granted general clearance for the sharing of landlords' data about tenant rent payments with credit referencing agencies. In this case the purpose was to facilitate access to mainstream credit for households with no previous credit history (although the data is only shared at the point the customer makes a request for credit).
- 8.2 Scottish Government could request data on income and savings from HMRC to support targeting of individuals in work in high rent areas such as those examples set out in tables 1 and 2 above.