

Welfare Reform Update

10 November 2011

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Setting the scene



Looking to the future

Help with housing costs

- Short-term
- Medium-term
- Long-term



The Context

- Work and Pensions is largest budget
 - more than entire NHS spending
 - More than twice education spending
- HB spending £18 billion
 - second largest social security item after retirement pensions
 - third largest item if you include tax credits



Projected savings

Budget Red Book & Spending Review Policy Costings	2014/15*
• Social sector size limits	£490M
• Non dependent deductions	£340M
• Household benefits cap	£270M
• Private Rented Sector	£1645M
• Discretionary housing payments	-£ 40M
• Additional room for carers	-£ 15M
• Total annual saving (steady state)	£2800M
• Other welfare benefits	£7500M

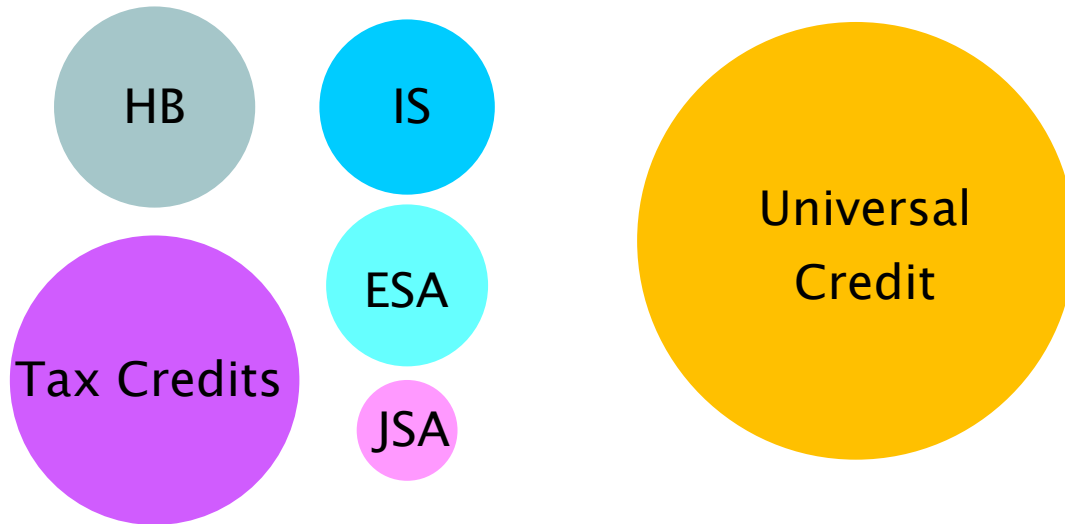
2013 and beyond

HB is a dead benefit

- Terminal decline starts October 2013
- Working age claims go to Universal Credit
- Pension age claims to Pension Credit
- HB reforms will be baseline for UC
- Legacy caseload to Universal Credit completed October 2017
- Help with housing costs paid together with out of work benefit



Working age benefits: old & new



This cant happen can it?

What will happen

- HB PRS changes (already made law)
- Universal credit
- Universal credit timetable

What might change

- household cap – minor adjustments
- under occupation – minor adjustments
- Some easement on payment rules for universal credit but not to current position



Reducing the budget deficit



Why it will happen

- Government majority is 76
- Bill has passed Commons stages intact
- De facto majority in the Lords
- Lords Amendments can be over-ruled
- Each concession makes others less likely
- Non-housing lobbying interests
- The Government wants **visible** change
- Change to be delivered before 2015 election



Overview of reforms



impact model

East town district council profile

- Based East of England
- General needs – one third elderly
- 5,000 tenancies
- Stock:
 - 1 Bed (24%)
 - 2 Bed (34%)
 - 3 Bed (37%)
 - 4+ Bed (5%)
- Average weekly rent £80
- Collection rates vary according to measure



Non-dependant deductions

- 2011/12 increase 27%
- Also apply to CTB: 24%
- Similar increases April 2012 & 2013
- Top rate circa £85 / £90 by April 2013
- Thereafter increases by RPI



Non dependents: impact

East town district housing : universal credit steady state

- Estimated HB tenants with deductions 5%
- Estimate number of losers 165
- Estimated annual loss to tenants in Yr1 £44,000
- Estimated annual loss to tenants in Yr2 £88,000
- Estimated annual loss to tenants in Yr3 £126,000
- Average weekly loss year 3 (cf March 2011) £15

- If 5% uncollectable (year 3) £6,000



Social sector size limits

- Does not apply to pension age claims (age 61½ –62 by 2013 and rising)
- Deductions for under-occupation
 - 1 bedroom (15%)
 - 2 or more bedrooms (25%)
- Calculating size
 - One room for tenant and partner
 - One room for each person aged 16+
 - A child aged 15 or under will be expected to share with one other child of the same gender
 - A child aged 9 or share with one other child aged 9 or under regardless of gender



Mismatch in stock

Actual accommodation size	Needs of working-age HB tenants	Currently occupied by working-age HB tenants
1 Bedroom	600,000	360,000
2 Bedrooms	520,000	510,000
3 Bedrooms	300,000	560,000
4 Bedrooms	70,000	60,000
5+ Bedrooms	10,000	10,000



Distributional impact

Region	Estimate affected	% working age HB tenants	Average loss
North East	50,000	46%	£12
North West	120,000	43%	£12
Yorkshire	70,000	36%	£11
East Midlands	50,000	37%	£11
West Midlands	60,000	33%	£14
Eastern	60,000	36%	£14
London	70,000	19%	£21
South East	50,000	26%	£15
South West	30,000	28%	£13

Under occupation: impact

East town district housing: universal credit steady state

- Estimated annual loss to tenants in HB £635,000
- Number of losers 1 bed under 590
- Number of losers 2 bed under 210
- Average weekly loss 1 bed under £13
- Average weekly loss 2 bed under £20

- If 10% uncollectable £64,000



Household benefit cap

- Based on national average earnings
- Applies to all tenures
- Only applies to out of work households
- Doesn't apply to households on disability living allowance, working tax credits, war widows pension or retired
- Impact on large families in high rent areas
- HM Treasury estimate average loss £93.00 per week

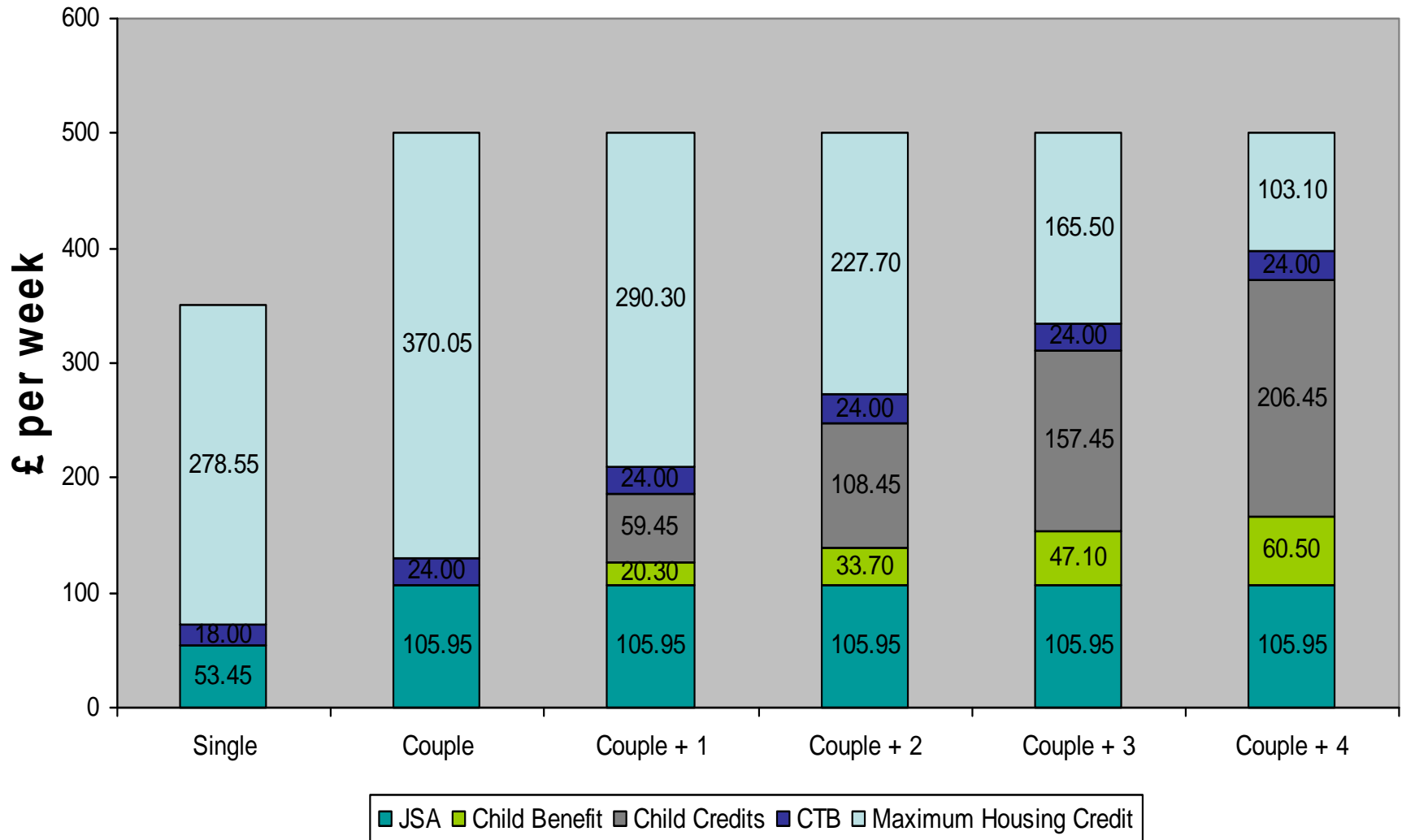


Household benefit cap

- Overall cap of £350 / £500 per week
- Add together all out of work benefits:
 - JSA/ESA/IS, child tax credits, child benefit,
 - council tax benefit, (& others)
- Any room left over can be used for HB (rent)
- Any excess is shaved off HB (rent)
- Mainly affects couples with large families
- Circa £228 per week left over for couple with two children decreasing by £62.50 for each extra child



Household benefit cap



Household cap: impact

East town district housing: universal credit steady state

- Estimated annual loss to tenants HB and other £169,000
- Estimated percentage of losers 0.7%
- Estimated number affected 35
- Average weekly loss £93

- If 20% uncollectable £34,000

2013 & Beyond – Universal Credit

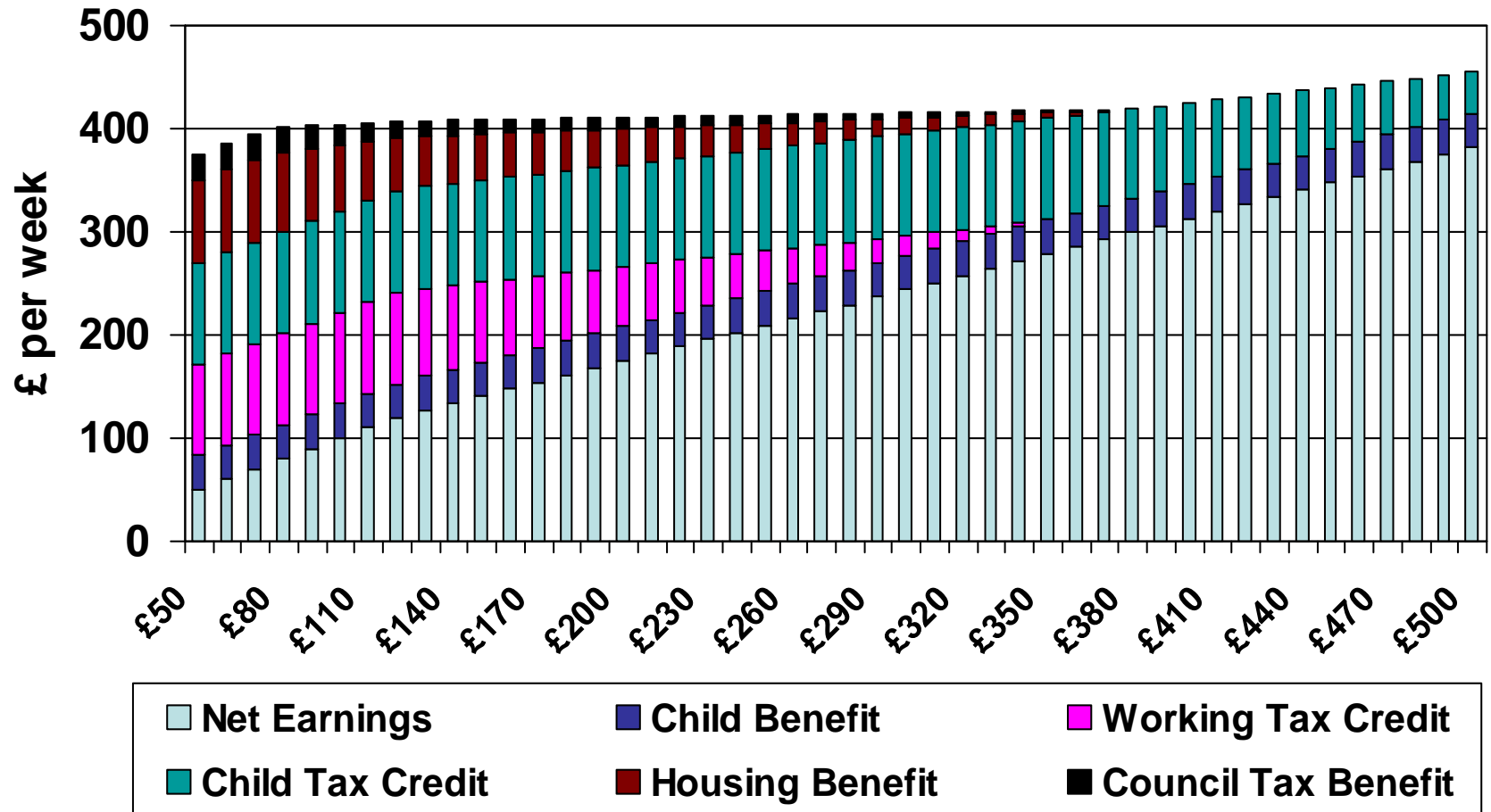


Universal Credit

- Potentially much wider reaching implications than the Budget 2010 reforms
- ✓ Combine all means-tested benefits for working age claimants into single working age benefit (already under way)
- ✓ Single income assessment (most effective way of dealing with deepest part of poverty trap)
- ✓ Incentives to start work and increase hours build up over time
- ✗ HB changes will form the baseline

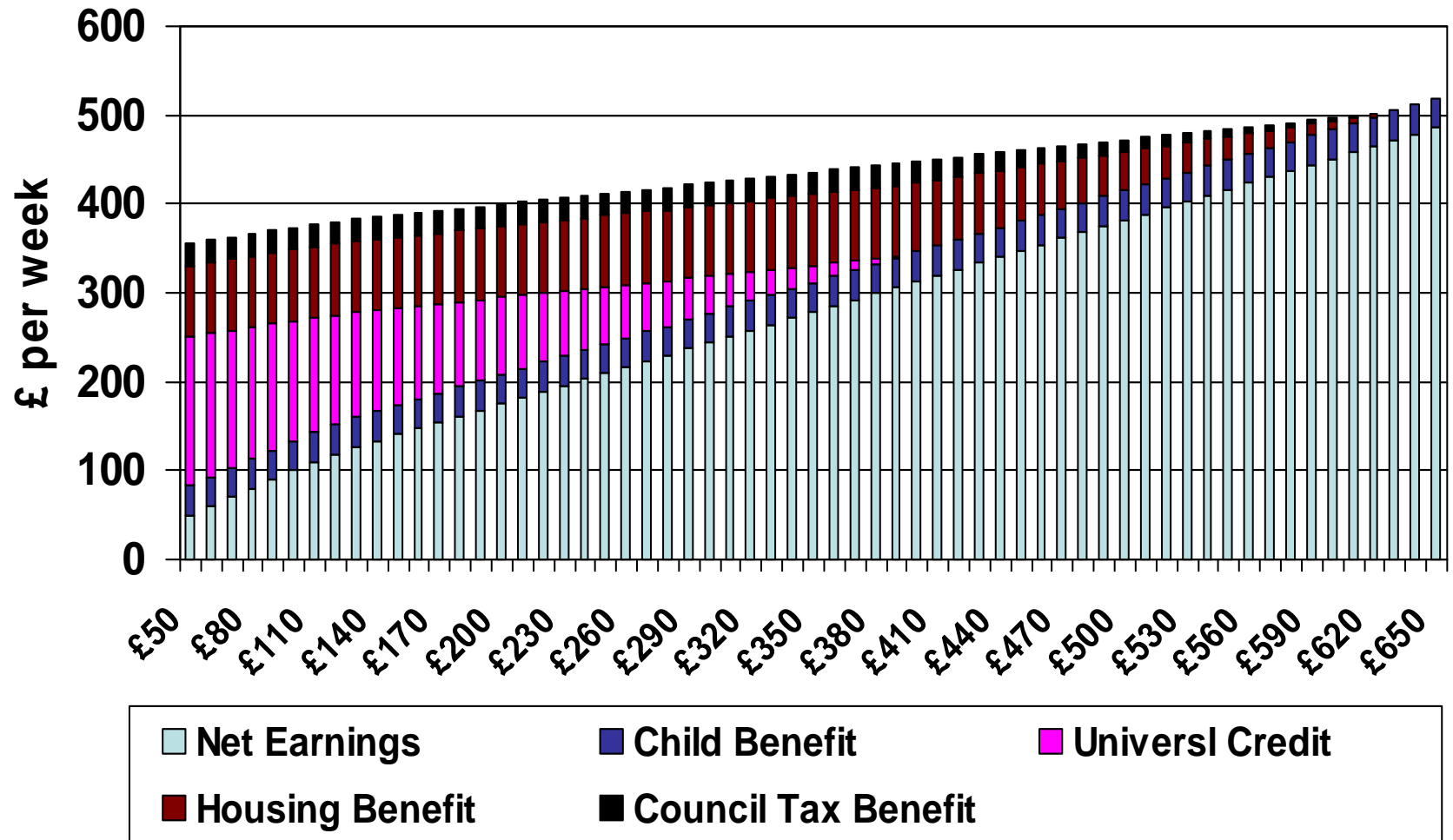


The poverty trap



Couple with two children. £80 pw rent. 2010/11 Rates

Universal Credit: structure



Couple with two children. £80 pw rent.

The policy vision

- DWP view universal credit as a surrogate wage
- Expected to behave as if in work



Administration and changeover

- Reduce structural complexitybut one very complicated benefit
- Administered by DWP centrally
- ‘Real time’ weekly adjustments
- ‘Challenging IT and administration reforms’
- Starts in October 2013 transfer of legacy caseload completed by October 2017



The administrative timetable



Centralised system

- Contact points will be DWP local office
- Initial claim either on-line or by telephone with some local office back up
- Target for 50% of cases made and assessed on-line at launch rising to 80% in 2017



Support systems 2013

- Local authorities already cut grants to voluntary sector
- Landlord run down of advice services?
- Local authority run down of HB departments
- Community Legal Service funding for welfare benefit advice withdrawn



Scale of change

- DWP taking on 4.8 million housing costs cases and 2 million working cases
- Taking over administration of in-work benefits (employed /self employed)
- 8.0–8.5 million universal credit cases (ignores tax credit caseload)
- 2.1 million pension credit cases
- 20% increase on existing combined caseload (ignoring tax credit cases)



Payment issues

- But currently DWP have no way of splitting off the housing costs element
- Starting point will be LHA payment rules with some modifications (probably broader)
 - Eight weeks
 - Rent arrears direct (including hostels)
 - Vulnerable
 - Unlikely to pay rent



Direct payments

East town district housing current roll

- Total rent roll £20.8 million
- Tenant payments as % rent roll 36%
- Rent roll covered by HB direct £13.40 million

East town district housing universal credit steady state

- Tenant payments as % of rent roll 70%
- Rent roll covered by HB (assumes 30% vulnerable) £5.35 million



Transaction costs

East town district housing current

- Theoretical transactions 260,000
- Transactions covered by HB 115,500 (44%)
- Tenant transactions 145,500 (56%)

East town district housing: universal credit steady state

- Tenant transactions 199,400 (77%)
- Increase in transactions 53,900
- Transaction costs (65% DD, 25% SO 10% Chq) £17,700
- Transaction costs(40% DD, 20% SO, 40% Chq) £35,500

- Credit cards circa 15 times direct debit cost
- All pay credit cards circa 19 times direct debit cost



Demonstration projects

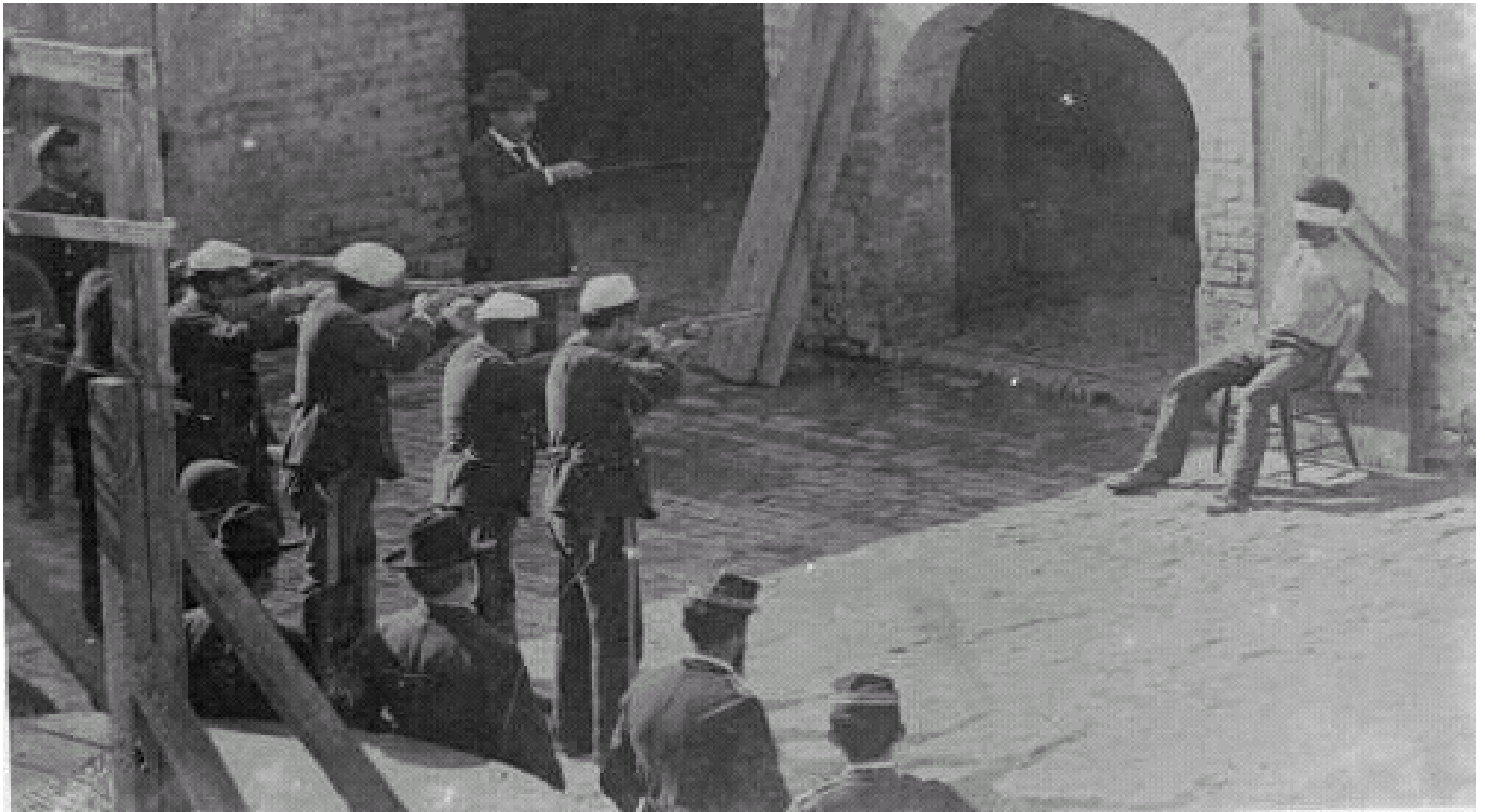
- Demonstration projects not pilots
- Circa 6 projects at least one each in Scotland, Wales, and London
- DWP will be inviting bids by local authorities (by benefit authority not by landlord)
- Start June 2012 for one year
- Researchers involved in the design
- Aim to identify risk indicators to take out cases for landlord payment early on and find what works in terms of support
- Procedure for review



Conclusions & Action



For managers without a plan...



Send staff for benefits training...



Where do we start?

- Needs to be driven from the top
 - Board and senior management
 - Create a team or appoint person responsible but
 - Make it a corporate priority
 - Build a vision of how you will look in 10 years
- Assessment of risk to you
 - Analysis
 - HB Impact calculator
- What resources will you need to deal with the problem
 - Need to know responses but the potential losses give starting point as to what might want to invest
- How do we target resources most efficiently



Some areas to look at

- Payment systems
 - Time to invest in smart technology?
- Systems for tenant support
 - Welfare advice services
 - Money management
- Review policies and procedures
 - E.g. lettings procedures (under occupation rules)
- Develop a financial inclusion strategy
- Staff training
 - Not just welfare benefits



Conclusion

- Start planning for this now
- Don't rely on lobbying
- Welfare reform is not about welfare benefits its about your business plans
- Needs to be driven from the top
- You will have to be radical to get the scale required
- Ideally to pilot some initiatives before the change takes place



Landlords – the choice

- It boils down to this...
 - Do landlords retreat to core business in order to make savings to offset losses; or
 - Expand and/or reconfigure services to try to manage and mitigate losses

