Welfare reform: the big picture

Sam Lister, Policy & Practice Officer, CIH
Content

- What’s driving reform
- Future trends and themes
- The measures so far – a closer look
- Universal credit
- Planning for tenant payment
- CIH influencing work
Remember this..

“Think the unthinkable”
What is welfare reform

• It’s a process
• Welfare Reform Act 2012 is just part of it
• Private rented sector 2011
• Next... universal credit
• Post universal credit
Reform 2013 and beyond
Before the crash...how government spent

Total spending, 2008/2009
£620.685bn
+7% on 2007/08

Department for Work and Pensions £135.7bn +8%
## Housing support welfare cuts

### Impact Assessment Annual Policy Costings

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost (2014/15* (£ million))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social sector size criteria</td>
<td>500</td>
</tr>
<tr>
<td>Non dependent deductions</td>
<td>340</td>
</tr>
<tr>
<td>Household benefits cap</td>
<td>265</td>
</tr>
<tr>
<td>Local housing allowance (30&lt;sup&gt;th&lt;/sup&gt; percentile and CPI indexation)</td>
<td>880</td>
</tr>
<tr>
<td>LHA shared room rate extension</td>
<td>215</td>
</tr>
<tr>
<td>Disability living allowance to personal independence payment</td>
<td>1240</td>
</tr>
<tr>
<td>Time limiting contributory ESA</td>
<td>1180</td>
</tr>
<tr>
<td>Tax credits (2010)</td>
<td>1225</td>
</tr>
<tr>
<td>Tax credits (2011)</td>
<td>1630</td>
</tr>
</tbody>
</table>
Welfare benefits: old & new

- Universal Credit
- Pension Credit
- Tax Credits
  - HB
  - ESA
  - JSA
  - IS
  - PC
Since October 2012

Miscellaneous

- UC shifting timetable (no announcement)
- Local CT reduction schemes
- Social sector size criteria
- Welfare Benefit Up-rating Act 2013
- Benefit Cap roll-out (July/August)
Local council tax reductions

- England & Wales local schemes
- 10% cut in funding
- Protection for pensioners
- Switch from demand-led (AME) to fixed budget (DEL)
Budget 2013

• Fixes the envelope for Total Managed Expenditure (TME) for 2015-16;
• TME in 2016-18 will continue to fall at the same rate as over the Spending Review 2010 period;
• A firm limit placed on a significant proportion of Annually Managed Expenditure (AME), including areas of welfare expenditure.

Budget Red Book 2013, Executive Summary
Long-term

Trend last 30 years

- Direct provision to individual (personalisation)
- Costs tend to rise faster (labour/rent inflation)
- Ever tighter rules
- Fixed budgets (DHPs/Supporting People)
- Eggs all in one basket (capital/revenue)

Our challenge

- Convince others not the most efficient
Welfare reform impacts
## Losses welfare reforms

<table>
<thead>
<tr>
<th>Welfare reform measure</th>
<th>Estimate affected</th>
<th>Average loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social sector size criteria</td>
<td>660,000</td>
<td>£14</td>
</tr>
<tr>
<td>Benefits cap</td>
<td>56,000</td>
<td>£93</td>
</tr>
<tr>
<td>LHA 30(^{\text{th}}) percentile</td>
<td>775,000</td>
<td>£9</td>
</tr>
<tr>
<td>LHA national caps</td>
<td>21,000</td>
<td>£74</td>
</tr>
<tr>
<td>LHA SAR extension</td>
<td>63,000</td>
<td>£41</td>
</tr>
<tr>
<td>LHA uprating</td>
<td>1,300,000</td>
<td>Varies locally</td>
</tr>
<tr>
<td>DLA to PIP</td>
<td>500,000</td>
<td>Minimum £21</td>
</tr>
<tr>
<td>Time limiting ESA</td>
<td>625,000</td>
<td>£52</td>
</tr>
<tr>
<td>Tax credits in-work</td>
<td>4,846,000</td>
<td>£12</td>
</tr>
<tr>
<td>Tax credits out-of-work</td>
<td>1,462,000</td>
<td>-£7</td>
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</tbody>
</table>
Personal independence Payments

• Similar structure to DLA (care, mobility)
• Two rates of care, two rates of mobility
• In effect the end of the lower care rate
• Tougher ESA style points-based medical test
• Regular reviews and fixed term awards
• 500,000 taken off projected caseload by 2015/16

• Loss of disability and/or severe disability premium
• No severe disability premium in universal credit
• Losses from £21 to £110+ per week for single person if on IS/JSA/ESA/HB
• Regulations already laid
• Absolute weekly limits:
  ▪ 1 Bed £250.00
  ▪ 2 Bed £290.00
  ▪ 3 Bed £340.00
  ▪ 4 Bed £400.00
• 4 Bed cap 1,940 losers in London
• All other sizes 15,470 in London
• No mechanism for up-rating caps
# Bedroom tax impact

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimate affected</th>
<th>% working age HB tenants</th>
<th>Average loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>50,000</td>
<td>37%</td>
<td>£13</td>
</tr>
<tr>
<td>North West</td>
<td>110,000</td>
<td>43%</td>
<td>£14</td>
</tr>
<tr>
<td>Yorkshire</td>
<td>80,000</td>
<td>43%</td>
<td>£13</td>
</tr>
<tr>
<td>East Midlands</td>
<td>40,000</td>
<td>27%</td>
<td>£12</td>
</tr>
<tr>
<td>West Midlands</td>
<td>60,000</td>
<td>31%</td>
<td>£13</td>
</tr>
<tr>
<td>East of England</td>
<td>50,000</td>
<td>30%</td>
<td>£15</td>
</tr>
<tr>
<td>London</td>
<td>80,000</td>
<td>22%</td>
<td>£21</td>
</tr>
<tr>
<td>South East</td>
<td>40,000</td>
<td>22%</td>
<td>£15</td>
</tr>
<tr>
<td>South West</td>
<td>30,000</td>
<td>20%</td>
<td>£15</td>
</tr>
</tbody>
</table>
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
The cap: headroom for HB

<table>
<thead>
<tr>
<th></th>
<th>Single</th>
<th>Couple</th>
<th>Couple + 1</th>
<th>Couple + 2</th>
<th>Couple + 3</th>
<th>Couple + 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSA</td>
<td>71.00</td>
<td>111.45</td>
<td>111.45</td>
<td>111.45</td>
<td>111.45</td>
<td>111.45</td>
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<tr>
<td>Child Benefit</td>
<td></td>
<td>111.45</td>
<td>62.04</td>
<td>33.70</td>
<td>47.10</td>
<td>60.50</td>
</tr>
<tr>
<td>Child Credits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB headroom</td>
<td>279.00</td>
<td>388.55</td>
<td>306.21</td>
<td>241.22</td>
<td>176.23</td>
<td>111.24</td>
</tr>
</tbody>
</table>
Benefit cap in the South East

Notional shortfalls by Local Authority:
- No shortfall
- £0-£5/week shortfall
- £5-£20/week shortfall
- £20-£50/week shortfall
- £50+/week shortfall

Household benefit cap: impact on 3 child families in London and the south east.
Universal credit

Learn with us. Improve with us. Influence with us | www.cih.org
Universal credit main features

- Better off in-work
- Keep more as you earn more
- Smoother transition between in and out of work
- Single combined benefit
- Payment to tenant
- Centralised administration
Current benefits & tax credits

Couple, two children, one earner, rent £75.00, council tax £23.00
Universal credit

Couple, two children, one earner, rent £75.00, council tax £23.00
Current & UC compared

Couple, two children, one earner
Tenant payment
The shifting timetable

Original UC/PC plan

• New claims universal credit (October 2013)
• Pension credit housing credit (October 2014)

Revised UC timetable?

• Pilots (April 2013)
• Non-HC only? Selected areas (October 2013)
• Gradual HC start - Selected areas? (April 2014)
Impact model: direct payments

East Town District Housing current
• Total rent roll £20.80 million
• Tenant payments as % rent roll 36%
• Rent roll covered by HB direct £13.45 million

East Town District Housing: universal credit steady state
• Tenant payments as % of rent roll 70%
• Rent roll covered by HB direct (30% vulnerable) £6.10 million
Staying positive

• Start with your vision
  ▪ How will the service look in ten years time?
  ▪ How might a service look in when everyone pays?
  ▪ What might be a real benefit for tenants?
What’s out there?

• Pre-payment cards
• Mobile payment
• Consumer reward schemes
• Bulk purchase
• Customer insight
• Consumer bundles
Pre-payment cards

- **Debit Card “Open Loop”**
- **Prepaid Card “Open Loop” Reloadable**
- **Prepaid Card “Restricted Loop” Reloadable**
Bulk purchase utilities

- **Which? / 38 Degrees - The Big Switch**
  - 287,000 registered
  - 37,000 switched
  - Co-operative Energy bid winner
  - Average saving £223 per year

- **Manchester scheme**
  - Ten local councils
  - 15,000 signed up in two weeks
  - Auction 29 January
  - [www.gmfairenergy.com](http://www.gmfairenergy.com)
Consumer bundles

How it might look

• Co-op Bank: payment card and bank account
• Co-op store reward scheme
• Negotiated discount with local co-op stores
• CIS home contents insurance
• Co-op bulk buy fuel
• Community reward scheme
Some things to think about

- The bedroom tax is one element only
- Address the difficult questions (spending)
- Think further ahead and wider
- Some of the decisions raise difficult questions
does it help our cause if we ignore them
- Wider public perceptions are important
- What matters is how much support people receive not how it is paid
Ghetto warning as poor priced out of 800,000 more homes

People on benefits will face choice between food and rent, says charity

Republican vote in three-way fight to claim key Iowa poll
CIH influencing work

- Who benefits campaign (Crisis and others)
- Work and Pensions Select Committee inquiry
  - Benefit cap (Haringey Report – mid October)
  - Bedroom tax
  - Payment to tenant
- Universal credit SEWG landlords sub-group
  - Switchback and exceptions
  - Further voluntary pilots
- Supported housing (exempt accommodation)
Conclusions

• Welfare reform is a continuous process
• Need to think how others see it outside our sector
• Try and look at the longer term
• Use the time you have been given
• Set a vision of where you want to be in ten years
• Day-to-day look at what you can control
Welfare reform – the Big Picture

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