What next for Welfare Reform?
The Context … Once upon a time there was a fiscal crisis……
Welfare expenditure in the UK
Welfare expenditure in the UK
Comparative public expenditure as a percentage of GDP

Years – 2001 to 2017

France  Germany  Italy  Spain  United States  United Kingdom
Welfare Reform - Principles

• “A system that was originally designed to support the poorest in society is now trapping them in the very condition it was supposed to alleviate”  Iain Duncan-Smith, Secretary of State for Work and Pensions

• Welfare reforms are intended to create a system that:
  – Promotes work and makes employment more attractive than benefits.
  – Helps people lift themselves out of poverty.
  – Creates/improves mobility and tenure flexibility.
  – Place public spending on a more sustainable footing, by ensuring that the system is fair to the taxpayer and people in genuine need.

• Impact assessments highlighted that Welfare Reforms would reduce public expenditure by £20 billion between 2010-11 to 2014-15.
Biggest change to the welfare state since its creation

- Employment Offer
- Bedroom Tax
- Pensions and Ageing
- Fraud and Error
- Benefit Cap
- Appeals Reform
- Disability
- Universal Credit
- Support for Pensioners
- Social Fund
- Child Maintenance
- Housing Support
The “devolved tension”

**UK Government**
Welfare spending policies and cuts in welfare budgets

**Welsh Government**
Policy for services affected by welfare reform - Housing, Education, Social Care, Local Government, Communities, etc.
WAO study looked at housing impact amongst a group in society where Welsh Government has devolved responsibility

We surveyed 28 Registered Social Landlords and 22 Councils

23% North
9% Mid
51% South East
17% South West

Conducted a telephone survey with 412 tenants

Detailed Fieldwork completed at 9 Councils evenly split between North, South, Mid, East and West

National level interviews with Citizens Advice Cymru, Shelter Cymru, Welsh Government, Welsh Tenants, Tai Pawb, and sample of HAs
Welfare Reform and Wales

The percentage of social housing tenants claiming housing benefit across the UK

Wales 74%  Scotland 63%  England 70%

Read our report on welfare reform at wao.gov.uk
Welfare Reform and Wales

The percentage of social housing tenants claiming housing benefit affected by the Benefit Cap and/or the removal of the spare-room subsidy

Wales 20%
Scotland 19%
England 15%

Read our report on welfare reform at wao.gov.uk
Has Welfare Reform delivered the intended impact?

- We have commented on four of the main intended benefits of the reforms on social housing and tenants in Wales:
  - Promote employment amongst tenants.
  - Help people lift themselves out of poverty.
  - Create tenure mobility and make better use of social housing.
  - Reduce expenditure on Welfare (in Wales).
Employment rate for those aged 16 to 64 – ONS regional labour market statistics
January 2015

64.0 66.0 68.0 70.0 72.0 74.0 76.0 78.0

Wales
North East
North West
West Midlands
London
West Midlands
North West
North East
Yorks and The Humber
Scotland
East Midlands
UK
South West
South East
Unemployment rate for those aged 16 to 64 –
ONS regional labour market statistics
January 2015
Unemployment Rates, September 2014 to November 2014 – ONS regional labour market statistics January 2015

-2.0 0.0 2.0 4.0 6.0 8.0 10.0

UK
Scotland
Wales
South West
South East
London
North East
North West
Yorks and The Humber
East Midlands
West Midlands
East of England

Rate
Change on quarter
• The employment rate in Great Britain was highest in the East of England and the South East (76.6%) and lowest in Wales (68.7%).

• The unemployment rate in Great Britain was highest in the North East (8.5%) and lowest in the South West (4.4%). Wales had the second highest unemployment rate (7%).

• The inactivity rate in Great Britain was highest in Wales (25.9%) and lowest in the East of England (19.3%).

• The headline Claimant Count rate in Great Britain was highest in the North East (4.3%) and lowest in the South East and South West (1.5%). Wales had the second highest claimant count (3.5%).
Many social housing tenants face increasing poverty

The average reduction in Housing Benefits for tenants affected by the removal of the spare-room subsidy in Wales has been £15.02 per week. This equates to a reduction of £781.04 per annum.

Read our report on welfare reform at wao.gov.uk
Tenant debt is increasing

Our tenants survey found that over half of those interviewed have seen their personal debt increase because of welfare-reform changes.

Read our report on welfare reform at wao.gov.uk
Tenant debt is increasing

The proportion of social-housing tenants who have seen debt increase since the removal of the spare-room subsidy and introduction of the benefit cap

51% 50% 54% 52% 51%
Whole of Wales North Wales Mid Wales South-east Wales South-west Wales

Read our report on welfare reform at wao.gov.uk
Foodbank usage is increasing

Between 2012-13 and 2013-14, there has been a 263 per cent increase in the number of people using food banks

Read our report on welfare reform at wao.gov.uk
Welfare Reform savings are less than anticipated…….
Welfare Reform in Wales indicative “housing” costs-v-savings 2013-14 and 2014-15

Notional Savings

Additional Welsh Government and DWP Costs in Wales

- Discretionary Housing Payments
- Mitigation Grants
- Rent Arrears
- SHG - New Build
- Benefit Cap and Bedroom Tax
Housing and tenure mobility

• DWP estimated in March 2013 that 536,743 social housing tenants would be affected by the Benefit Cap and Spare Room Subsidy.

• DWP research in July 2014 found that 195,120 claimants ceased to be subject to the Benefit Cap and Spare Room Subsidy:
  – 3,600 social rented tenants moved to the private rented sector.
  – 18,740 downsized within the social rented sector.
  – 61,510 had an increase in bedroom entitlement.
  – 5,900 a decrease in number of bedrooms recorded in the home.

• However, in the same period 137,300 claimants were newly identified as subject to the Spare Room Subsidy.

• DWP research suggests a first year reduction of 10.7% in numbers affected by the Spare room Subsidy. Our research suggests Wales has seen a 14% reduction.
Housing and tenure mobility

• Letting accommodation far more complicated.
• Only 26% of tenants affected by Spare Room Subsidy registered to move.
• The number of social housing tenants in arrears has risen by 23.3%.
• 64 per cent of Councils still allow applicants to under occupy housing, compared to 23 per cent of housing associations.
• Mismatch between transfers, waiting lists and homelessness – unknown impact.
• Little evidence of tenants moving to private rented homes – concern that Welsh Government promotion of PRS may not be realistic.
• No evidence of tenants taking in lodgers.
What next?
DWP Timeline September 2014

April 2015
Introduction of private pension decumulation reforms

June 2015
Automatic enrolment begins for small employers.

February 2015
Roll out of UC across the country begins for new single claimants

October 2015
Reassessment of remaining Disability Living Allowance caseload for Personal Independence Payment begins. State Pension Top Up available to those of State Pension age.
What next?
DWP Timeline September 2014

**April 2016**
The new State Pension will be implemented from April 2016.

**2016 – 2017**
Majority of the remaining legacy caseload moving to Universal Credit

**By April 2017**
Bereavement Support Payment implemented

**2016**
Universal Credit will be established across Great Britain with new claims to legacy benefits closed from 2016 – with migration to follow thereafter.

All families claiming Universal Credit will receive childcare support up to 85 per cent of actual costs.

Changes to Pension Credit for Child Addition and mixed age couples come into effect.

**May 2017**
Automatic enrolment begins for new employers (established after April 2012).
Next steps - Policy

- Roll out of Universal Credit and direct payments.
- FERIS – incentivising fraud investigation.
  - Since 2006-07 the amount of fraud and error in processing housing benefit claims has increased by £450 million.
  - Currently stands at £1.45 billion a year (DWP estimates).
  - Council sign up/engagement – patchy.
- Savings not being realised at anticipated levels – further cuts?
  - E.g. Conservatives plan to reduce Benefit Cap threshold from £26,000 to £23,000.
- NAO planning to undertake further work on DWP - welfare reform:
  - Lessons learnt in implementing welfare reform - Spring 2015
Public Accounts Committee

• Report presented to Public Accounts Committee on January 13th 2015.
• Auditor General for Wales has made a series of recommendations to Welsh Government, Councils and housing associations.
• Response received from Minister for Communities and tackling Poverty on recommendations.
• Welsh Government response - PAC 3rd February session.
• Committee has agreed to set up Inquiry on the impact of Welfare Reform on social housing in Wales.
The Committee is agreeing its terms of reference:

Suggested areas:

- Robustness of DWP impact assessments – savings/costs.
- Quality/effectiveness of advice services.
- Impact of changes on waiting lists/homelessness.
- Digital exclusion.
- Stock usage and housing development.
- Rent arrears and management costs.
- Role of the PRS.
- Planning and inter-agency working.
Inquiries take evidence from a range of organisations.

Suggested witnesses:
- CHC
- Housing Associations
- Councils
- WLGA
- Third sector
- DWP

On completion of inquiries a report is often produced and tabled at Senedd plenary sessions for debate.

Reports can make recommendations for Welsh Government and others.
Wales Audit Office – Future work

- Liaise with Welsh Government to follow through on recommendations.
- Support the Committee inquiry.
- Contribute to final report arising from the inquiry.
- Potential follow up on Welfare Reform and social housing.
- Auditor General for Wales has also raised prospect of a study on the impact of Universal Credit on claimants and devolved services in Wales.