



Llywodraeth Cymru
Welsh Government

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Mitigating the impact of the UK Government's welfare reforms



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Introduction

1. During this term of Government, the Ministerial Task and Finish Group on Welfare Reform has considered a wide range of actions, which the Welsh Government might need to take in response to the UK Government's welfare reforms, ranging from policy decisions required in direct response or indirect action to tackle potential consequences.
2. The Welsh Government has prioritised specific mitigating actions which have supported:
 - 307,000 households through maintaining entitlement to council tax relief (at an annual cost of £22 million) in years 2014-15, 2015-16 and 2016-17;
 - an additional 774 one-two bedroom homes for a one-off cost of £40 million from 2013 to 2016;
 - 1,141 people assisted through the Welsh Government top-up to Discretionary Housing Payments (£1.3 million in 2013-14);
 - 60,000 individuals assisted to get online through the six years of the Communities 2.0 programme;
 - 42,500 people to-date with their requests for advice and information through the investment in Frontline Advice Services; and
 - 70,000 people to-date through the Welsh Government's Discretionary Assistance Fund.

Cost-Benefit Analysis of mitigating the full impact of the housing benefit size criteria in Wales

3. The Ministerial Task and Finish Group commissioned a comprehensive programme of research to assess the impact of the UK Government's welfare reforms in Wales and all of these reports have been published on the Welsh Government's website¹. Amongst other welfare reforms, the research has considered the likely impact in Wales of the introduction of the Housing Benefit size criteria in the social rented sector. This evidence also provides an indication of the costs and benefits which may materialise if the Welsh Government mitigated the full impact of the policy via increased Discretionary Housing Payments. **Annex 1** summarises this cost-benefit analysis.

¹ <http://gov.wales/topics/people-and-communities/welfare-reform-in-wales/analysing-reforms/?lang=en>
<http://gov.wales/topics/people-and-communities/welfare-reform-in-wales/analysing-reforms/?lang=cy>

Mitigating Actions

4. The Welsh Government sees mitigating the impact of welfare reform as one element of its wider strategy on tackling poverty². The Welsh Government continues to provide leadership in this area, identifying the need for action and delivering a planned and co-ordinated programme in conjunction with stakeholder organisations to help people to cope with the impact of the UK Government's welfare benefit changes.
5. Set out within the Welsh Government's 'Building Communities: Taking forward the Tackling Poverty Action Plan', published in July 2015, there are a number of commitments:
 - In 2015/16 revise the Financial Inclusion Strategy to take into account the changes to the economy, welfare reform and the ability of service providers to support people and families to maximise their income.
 - Support free and independent front-line advice services with a further £2 million committed to supporting these services in 2015/16.
 - We have agreed to continue the existing Council Tax arrangements and maintain entitlements for a further two years (2015/16 and 2016/17).
 - Work jointly with the Department for Work and Pensions (DWP) on wider health issues to explore opportunities which could improve arrangements to mitigate the impact on people with disabilities, with the introduction of Personal Independence Payment, and support them with the Work Capability Assessment process for applications for Employment and Support Allowance.
 - Provide training support during 2015/16 for Local Authority front-line staff. This will help them to better support vulnerable claimants in Wales as the expansion of Universal Credit continues.
 - Through Vibrant and Viable Places, include projects which improve the supply and quality of affordable housing and support those impacted by welfare reform, particularly the Housing Benefit size criteria, by providing additional one and two bedroom properties.
6. The Ministerial Task and Finish Group have recently commissioned additional research to assess the likely impact of the further UK Government welfare benefit changes. The latest research report was published on 18 September 2015 on the Welsh Government website. The results of this research and ongoing dialogue with our local and national partner organisations will inform further action to help people to cope with the impacts of further welfare reforms.

² <http://gov.wales/docs/dsjlg/publications/150327-child-poverty-strategy-walesv2-en.pdf>
<http://gov.wales/docs/dsjlg/publications/150701-tackling-poverty-action-plan-2015-en.pdf>

Annex 1 – Cost-benefit analysis of mitigating the full impact of the housing benefit size criteria in Wales

Our research has considered the likely impacts in Wales of the introduction of the Housing Benefit size criteria in the social rented sector and also provides an indication of the costs and benefits which may materialise if the Welsh Government mitigated the full impact of the policy via increased discretionary housing payments. However, this information should be seen in the context that the under-occupancy provisions are by no means the only aspect of welfare reform to impact on people in Wales. Whilst the UK Government retained responsibility for changes to housing benefit, it transferred responsibility for the Discretionary Social Fund and the Independent Living Fund to the Welsh Government. It also abolished Council Tax Benefit and transferred responsibility for a new scheme to provide Council Tax Support to the Welsh Government along with a 10 per cent reduction in funding. It was incumbent on the Welsh Government to give priority to assessing and addressing the impact of those schemes which had become its direct responsibility.

Data available in the Department for Work and Pensions' own impact assessments³ suggested the total direct cost of the Welsh Government making up the shortfall caused by the Housing Benefit size criteria in the social rented sector in Wales would be approximately £23 - £25 million per annum. Based on this assessment, 40,000 low-income claimants in Wales would have benefitted as they would not have incurred the estimated average weekly loss of £11 – £12. Mitigation may also have led to wider benefits for claimants as some evidence suggests the policy has increased poverty and had adverse effects on health, well-being and social relationships⁴.

The latest statistics for May 2015 show around 30,500 claimants in Wales were affected, losing around £14 a week on average⁵. Based on these statistics, intervention from the Welsh Government would cost around £22 million per annum.

Our research highlights the disproportionate impact of the Housing Benefit size criteria in the social rented sector on disabled and/or older people⁶. Therefore, mitigating action would particularly benefit these groups and would avoid the cost associated with adapting properties for those claimants who move, as highlighted by a Registered Social Landlord⁷.

However, evidence⁸ suggests behavioural responses in terms of moving house have been limited. The small proportion of affected claimants who have moved would not have incurred the associated costs if the full impact of the policy had been mitigated.

³ DWP (2011) Under-Occupation of Social Housing – Impact assessment; DWP (2012) Housing Benefit: Under-occupation of Social Housing – Impact Assessment.

⁴ Moffatt, S. et al (2015) A qualitative study of the impact of the UK 'bedroom tax'. Journal of Public Health.

⁵ <https://www.gov.uk/government/statistics/number-of-housing-benefit-claimants-and-average-weekly-spare-room-subsidy-amount-withdrawal>

⁶ Welsh Government (2013) Analysing the impact of the UK Government's welfare reforms in Wales – Stage 3 analysis, Part 1: Impacts on those with protected characteristics

⁷ <http://www.wwha.co.uk/About-Us/News/Pages/Public-money-set-to-be-wasted.aspx>

⁸ DWP (2014) Evaluation of the Removal of the Spare Room Subsidy: interim report

As well as benefitting tenants, mitigating action would also benefit Local Authorities administering Housing Benefit as they wouldn't have incurred some of the one-off costs (e.g. modifications to IT, publicity material, training, etc.) and ongoing additional costs associated with the administration of the Housing Benefit size criteria in the social rented sector (e.g. increased volume of queries, appeals and Discretionary Housing Payment applications).

There would also be benefits to social landlords. For example, some evidence⁹ suggests since the policy was introduced in April 2013, rent collection costs and arrears have increased. Mitigating action would have prevented those effects attributed to the policy. Public services would also benefit as they would not need to provide support to those tenants who move or accumulate debt as a result of the policy.

Given one of the main aims of the policy is to make better use of available social housing, making up the shortfall in Housing Benefit payments, would reduce the (albeit limited) mobility encouraged by the policy. Therefore, the gains to social landlords and some tenants in overcrowded housing or on the waiting list from the matching of the size of accommodation to needs, as assessed by the Department for Work and Pensions, would not be realised.

The above cost-benefit analysis needs to be considered in light of the knock-on effects on our other mitigating actions. A long term view of the costs and benefits is needed since this constitutes an ongoing annual commitment which, given the evidence of who has moved and uncertainty over the ongoing level of Discretionary Housing Payment funds, is highly unlikely to diminish much over time.

The Welsh Government has already entered an annual commitment of the same magnitude on Council Tax Reduction (benefitting 307,000 households at the end of 2014/15) and with budgets decreasing, we would have had to cease other programmes in order to meet the cost of mitigating the impact of the Housing Benefit size criteria in the social rented sector.

There would have been a significant opportunity cost in spending around £20 million per annum on making good the shortfall for housing benefit recipients. This would have been £20 million per year not spent on independent advice services and investment to prevent homelessness. In 2014-15, the additional £2 million of funding provided to frontline advice services enabled organisations to respond to 30,000 requests for information and advice and secured almost £6.5 million in increased income gains for people. We provided around £3 million to prevent homelessness through the Homeless Prevention Fund to support the work of Local Authorities and

⁹ Joseph Rowntree Foundation (2014) Housing Benefit size criteria: Impacts for social sector tenants and options for reform; Community Housing Cymru (2013) 'Bedroom tax' will mean 1,000 fewer homes in Wales; Wales Audit Office (2015) Managing the impact of welfare reform changes on social housing tenants in Wales <http://chcymru.org.uk/en/view-news/bedroom-tax-will-mean-1000-fewer-homes-in-wales/>; <http://www.jrf.org.uk/publications/housing-benefit-size-criteria-impacts-social-sector-tenants>; http://www.audit.wales/system/files/publications/welfare_reform_change_social_housing_2015_english.pdf

partners between April 2011 and March 2015. Monitoring data shows between April 2011 – March 2014, just under 5,100 private sector landlords and around 7,850 tenants have been provided with advice and services for the first time through this funding¹⁰. Furthermore, the Explanatory Memorandum to the Housing (Wales) Act 2014 demonstrates there is an additional cost of at least £2,000 for each household where prevention of homelessness is not successful, and other studies¹¹ show the wider costs on the public purse including health, crime and social care costs can lead to additional costs of over £10,000. Funding of the order of £20 million per annum would have involved reductions in other programmes which prevent homelessness and promote independent living, including those who are most likely to be adversely affected by welfare reforms in general, such as lone parents and disabled people.

¹⁰ Welsh Government (2014) Local authority projects to mitigate the impact of housing benefit reform, using homelessness grant funding: Monitoring report, October 2013-March 2014 (Period 5).

¹¹http://england.shelter.org.uk/_data/assets/pdf_file/0008/297224/VFM_in_housing_options_and_homelessness_services_full_report_Oct_2010.pdf
<http://www.york.ac.uk/media/chp/documents/2015/CostsofHomelessness.pdf>