
Welfare Reform and Housing Benefit

Shelter Scotland: New Beginnings for Private Renting in Scotland,
Glasgow

17th April 2012

Andrew Parfitt
Head of Housing Policy, DWP
andrew.parfitt@dwp.gsi.gov.uk
0207 449 5365

Why change (1)

- managing rising costs



- delivering fairness

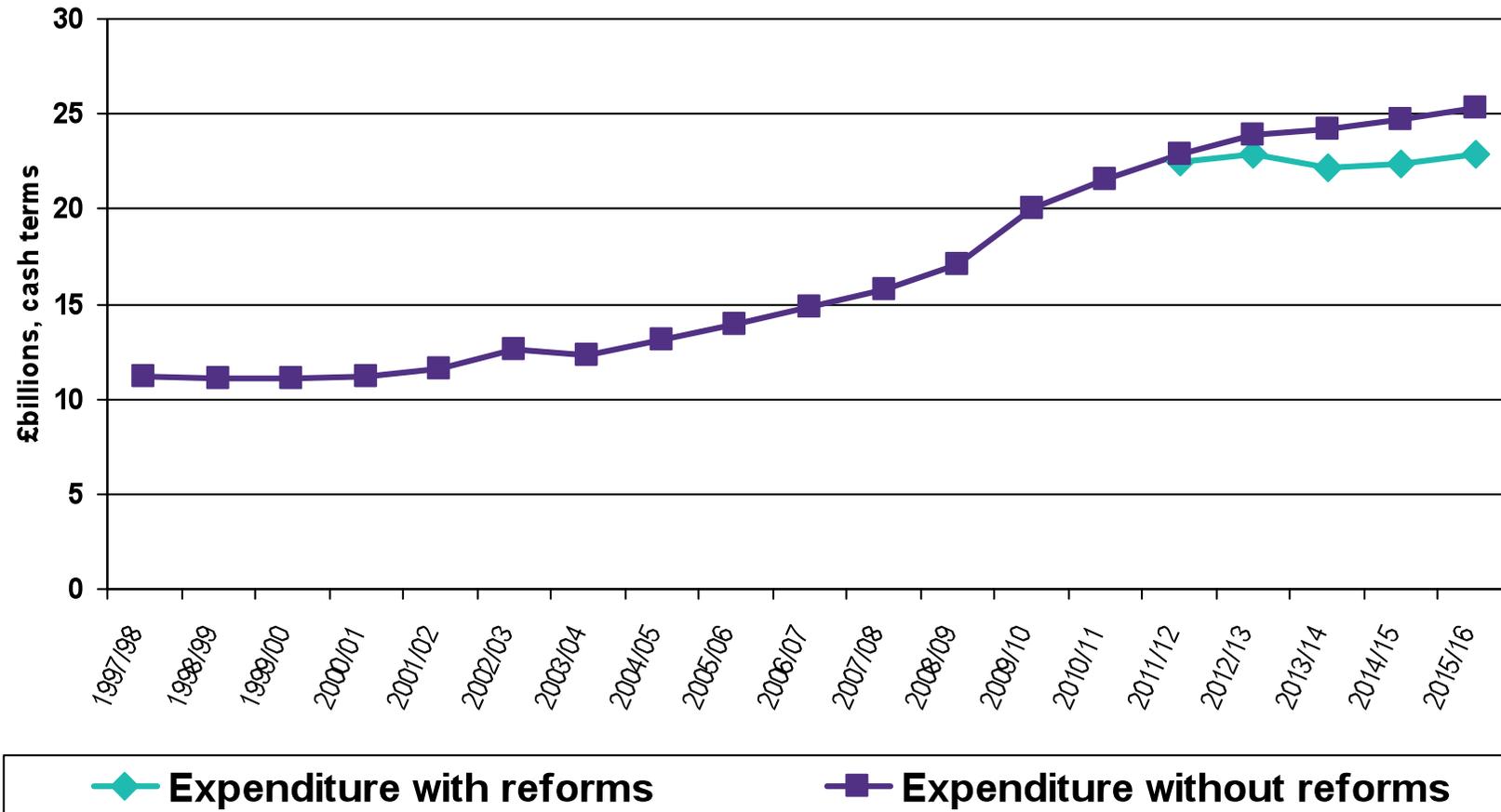


- increasing employment

This means transforming what we do and how we do it

Why change (2)

Budget 2011: Housing Benefit expenditure with and without reform (cash terms)



Housing Benefit changes affecting PRS - summary

From April 2011:

- LHA Changes (see next slide)
- Size Criteria: additional room for a non-resident carer where a disabled person has need for overnight care
- Staged increase in non-dependant deductions

From January 2012:

- LHA – extend Shared Accommodation Rate to those under 35

From April 2012:

- LHA rates frozen

From April 2013:

LHA rates to be uprated annually by reference to the Consumer Price Index – this will end the monthly uprating of LHA rates and bring the system in line with other pensions and benefits

April 2011 LHA Reforms

- Removal of £15 excess
- LHA rates set at the 30th percentile of market rents
- Restriction to the 4-bedroom rate (and maximum weekly caps)

New claimants affected from April 2011

Existing claimants offered nine months transitional protection – from the annual review date of their claim – so affected from January 2012 to December 2012

Shared Accommodation Rate – January 2012

- From January 2012 in the private rented sector, single claimants of Housing Benefit up to the age of 35 and without children are entitled only to the Shared Accommodation Rate (age threshold increased from 25)

New claimants affected from January 2012

Existing claimants affected at their anniversary date or when their LHA transitional protection ends

Housing Context - Tenure

- A smaller proportion of the Scottish population rent housing in the private sector than in England and the UK as a whole

Tenure split (% of all households)	Scotland	England	UK
All owners	67	68	68
Social rented sector	21	16	17
Private rented sector	12	15	15

Source: Family Resources Survey 2009-10

- Average rents tend to be lower in Scotland. For example a 2-bed property is around £551 per month [April 2012, “Rentright” website] compared to £661 for England [VOA, 12 months to December 2011]

LHA impacts

	Scotland: number losing, % losing (average loss per loser)	GB: number losing, % losing (average loss per loser)
Remove £15 excess	26,040 51% (-£12 per week)	438,130 47% (-£11 per week)
Rates at 30 th percentile	40,420 79% (-£7 per week)	774,970 83% (-£9 per week)
Restriction to 4-bedroom rate (and maximum weekly caps)	110 < 0.5% (-£51 per week)	21,060 2% (-£74 per week)
Extension of SAR	3,920 8% (-£22 per week)	62,500 7% (-£41 per week)

Source: July 2010 and August 2011 Impact Assessments based on a total caseload of 939,220 using March 2010 administrative data

Discretionary Housing Payments

- Additional Discretionary Housing Payments for LHA reforms tripled to £60m per year over remainder of the Spending Review period (up to 2014-15).
- In 2012-13 Scottish LAs have been allocated £3.98m.
- Scottish LAs are expecting increased DHP applications in 2012 and are reviewing their policies, particularly with regard to how young people affected by the shared accommodation rules are treated.

Feedback from Scottish LAs

- The move to the 30th percentile generally seen as manageable and LHA rates have generally almost reached previous levels.
- LAs are intending to pay landlords direct where this helps secure a small reduction in the rent. LAs say that positive relationships with landlords also helping.
- More concern from LAs about the SAR changes, where the drops in rent are more significant and people may have to move
- Transition project in Edinburgh includes work with local charity to help 25-34 year olds move into flat shares, as well as help with rent negotiation

Universal Credit vision

- reducing workless households
- helping to end child and adult poverty
- a simplified welfare system in which claimants and taxpayers can have confidence

Poverty is a life and death matter ...

- Life expectancy in two different neighbourhoods of Glasgow, one rich, one poor, vary by as much as 28 years.

What is Universal Credit?

- the biggest change to the welfare system for 50 years
- an in-work and out-of-work credit at the heart of a simplified welfare system that will ensure more people are better off in work
- a change in cultural attitudes to work

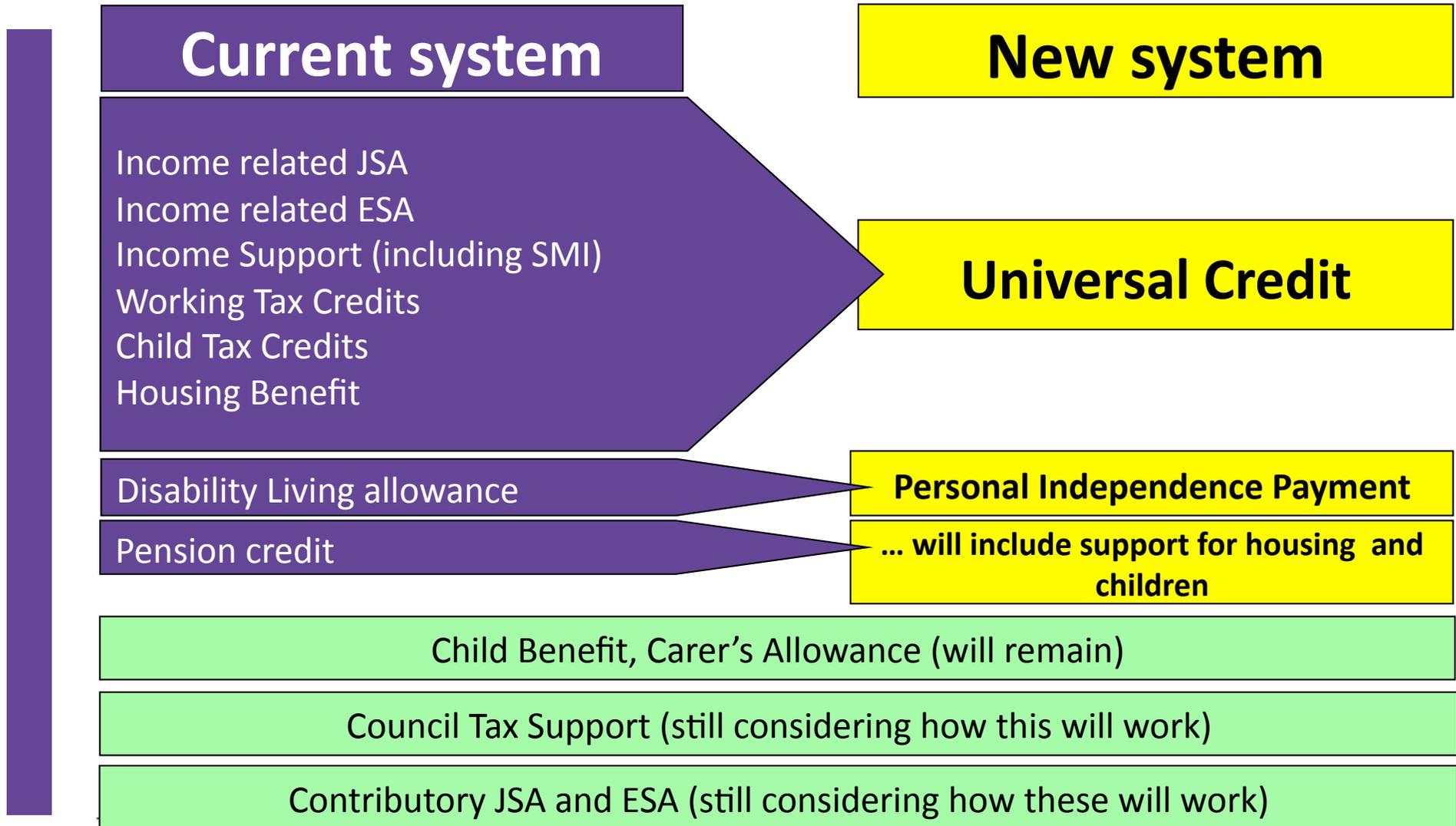
What is Universal Credit? (details)

- Universal Credit will provide a new single system of means-tested support for working-age people who are in-work or out-of-work. Support for housing costs, children and childcare costs will be integrated in the new benefit. It will also provide additions for disabled people and carers
- under Universal Credit, couples living in the same household will make a joint claim for the benefit payment. We will assume that ordinarily the benefit will be given in a single monthly payment to a household. It will be for the family to decide who receives the benefit
- no entitlement if capital of claimant or couple exceeds £16,000
- the Government has agreed a package of transitional protection which will ensure that there are no cash losers at the point of change as a direct result of the migration to Universal Credit, where circumstances remain the same

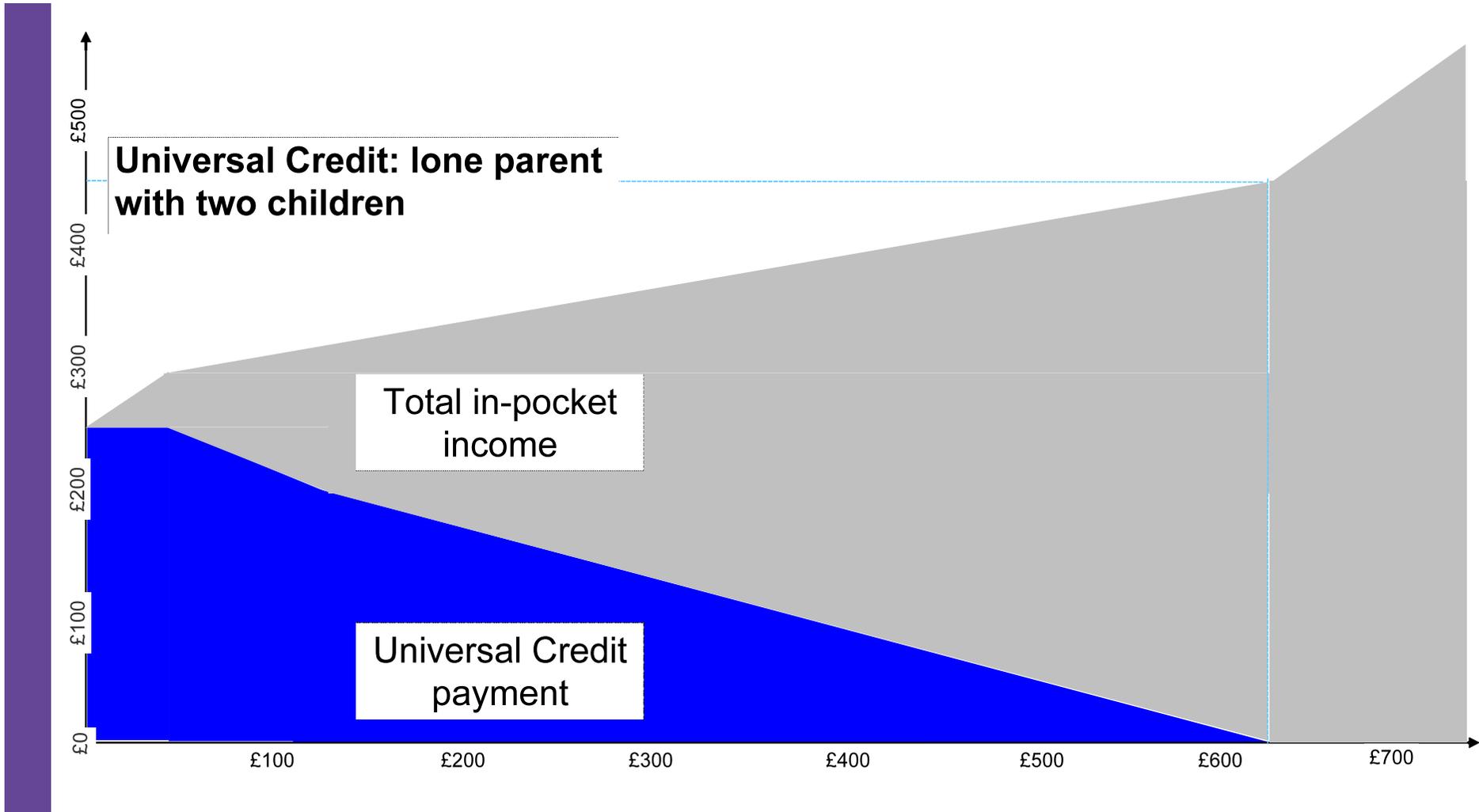
Why do we need Universal Credit?

- we are **simplifying a complex system** of multiple benefits:
 - the current system has over 10,000 pages of guidance for advisors
 - it is expensive to administer
- we are **making work pay**:
 - more help for low income working families
 - claimants will keep more of what they earn
 - improving incentives to increase hours of work
 - some households will have lower entitlements, but will be transitionally protected
 - simplified system will make moving to work feel less ‘risky’

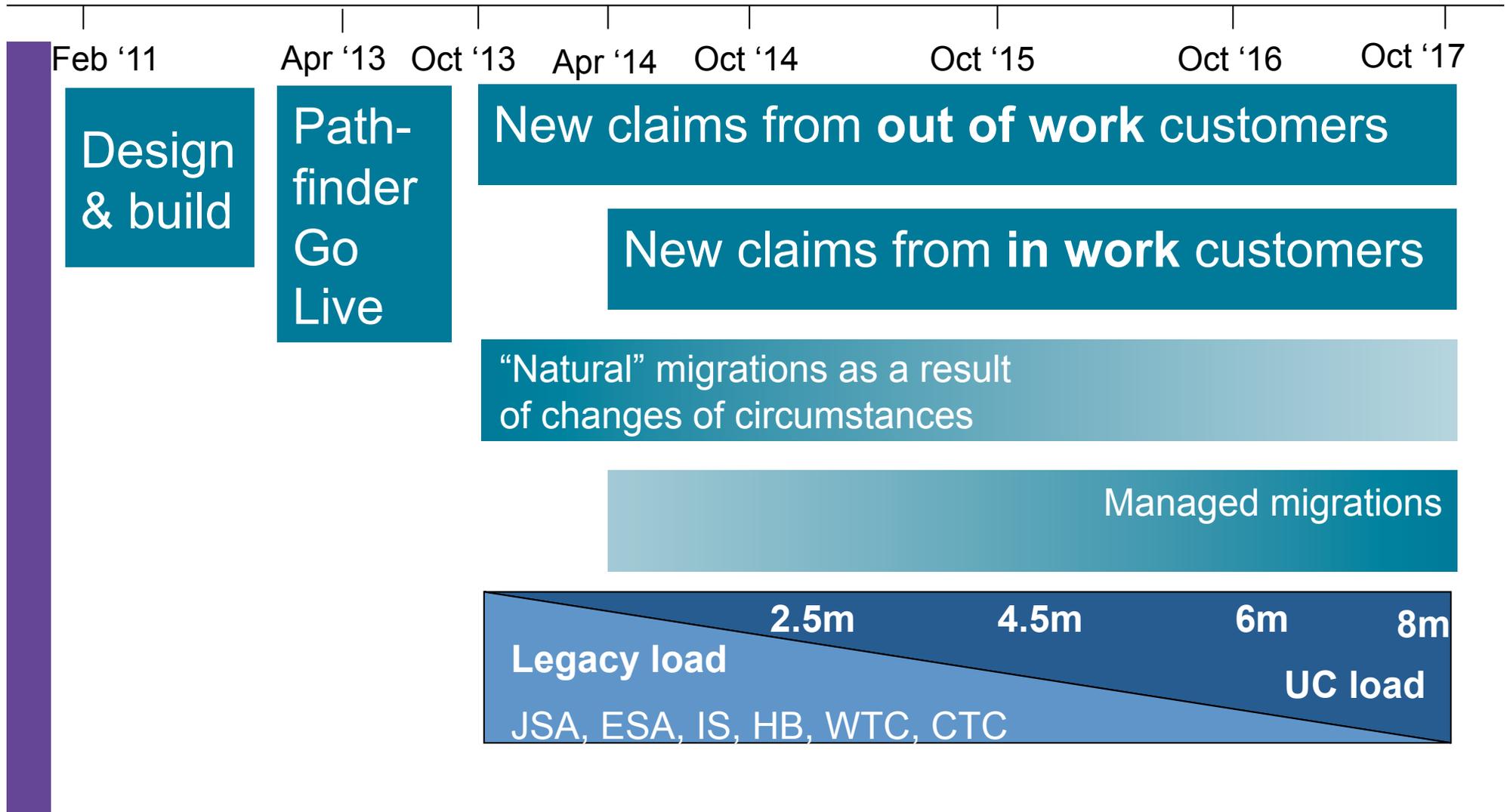
How are we simplifying the system?



A simpler system with clear work incentives



When will we deliver Universal Credit?



Universal Credit and housing (1)

Housing Benefit will be:

- integrated into Universal Credit, over time
- potentially more broad brush in its approach - less tied to individual rents and with fewer exceptions
- available to pensioners through Pension Credit
- social sector - will build on current support provided by Housing Benefit and announced changes. No further change in short to medium term

We are currently considering policy for eligible service charges and non dependants

Universal Credit and housing (2)

Direct payments in Universal Credit

- responsibility prepares people for the world of work:
 - managing your rent or mortgage is a social responsibility
 - progress has already been made through the LHA
- private rented sector tenants will generally be paid as now
- social-sector landlords need stable incomes:
 - Welfare Reform Act pledges appropriate protection
 - Demonstration projects to commence June 2012

Direct payments - Demonstration projects

- In January 2012 we announced the five areas selected to take part in the demonstration projects to test some key elements of the incorporation of housing support into Universal Credit whilst protecting social landlords' financial position
- The purpose of the projects is to:
 - test the impact of various trigger points and safeguard mechanisms on social landlords
 - test the mechanisms to safeguard vulnerable groups, and trigger points for making payment to landlord; and support them, where possible into the transition to direct payments
 - test financial products and budgeting tools used by claimants for financial management
 - evaluate the claimant communication strategy used ahead of the demonstration project roll out to inform preparations ahead of Universal Credit implementation
 - test the strategies adopted by social landlords to minimise the loss of income and maintain financial viability
- The demonstration projects will run from June 2012 to June 2013, with a five-month lead in starting in January 2012
- For further information, please contact us at:
demonstration.projects@dwp.gsi.gov.uk

Conclusion

- Major programme of welfare reform to help achieve fiscal consolidation in a way which is fair and strengthens work incentives.
- Transitional protection and increased discretionary housing payments to help smooth implementation.
- Radical changes to move towards Universal Credit over time.
- Similar reforms envisaged for pensioners.
- Housing element of UC for private renters will be based on LHA rates as now.
- Demonstration projects to explore direct payment of rent to landlords in social rented sector.
- Lessons from demonstration projects will help inform future policy on direct payment of rent to landlords in private rented sector.



Questions