

CIH Response to Budget and Future Directions

30 March 2011

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Political context



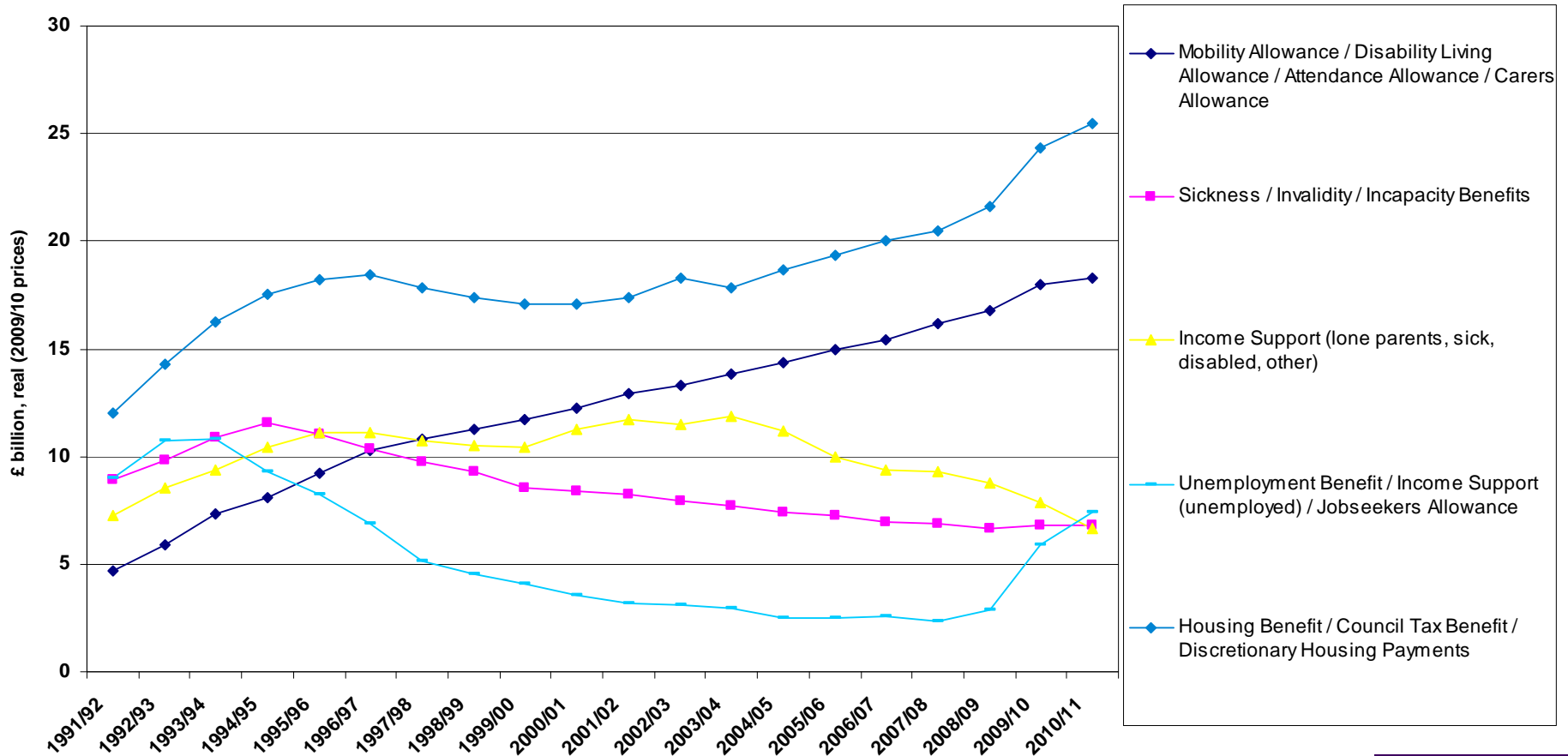
The Context

- Work and Pensions is largest budget
 - more than entire NHS spending
 - More than twice education spending
- HB spending £18 billion
 - second largest item after retirement pensions



Expenditure on benefits

Expenditure on key benefits 1991/92 - 2010/11



Overview of reforms



2010 Budget Reforms

All claims

- reverse previous 10 year freeze on non-dependent deductions over 3 year period (April 2011, phased)
- Overall benefit cap (2013–14)
- Time limit awards for JSA claimants (dropped)

Social rented sector

- Limit working age entitlement to reflect family size (2013–14)



2010 Budget Reforms (2)

Private rented sector

- Abolish £15 excess to LHA (April 2011)
- Set local housing allowance at 30th percentile of rents (April 2011, by review date)
- Local housing allowance: caps on maximum rates for each property size, with 4 bed limit (April 2011, by review date)
- Local housing allowance: switch to CPI indexation (April 2013)
- Increase upper age limit for shared room rate from 25–35 (January 2012)



Projected savings

Budget Red Book & Spending Review Policy Costings	2014/15*
• LHA abolish £15 excess	£550M
• Social sector size limits	£490M
• LHA 30 th percentile	£425M
• LHA CPI cap	£390M
• Non dependent deductions	£340M
• Household benefits cap	£270M
• Increase age limit for shared room rate to 35	£215M
• Time limit HB to 90% for JSA awards	£110M
• LHA award caps and 4 Bed limit	£ 65M
• Discretionary housing payments	-£ 40M
• Additional room for carers	-£ 15M
• Total annual saving (steady state)	£2800M



2013 and beyond

HB is a dead benefit

- Terminal decline starts October 2013
- New working age claims go to Universal Credit
- HB reforms will be baseline for UC
- After 2015(?) transfer of HB cases to Universal Credit completed October 2017
- Help with housing costs paid together with out of work benefit
- Help with housing costs included within pension credit for pension age claims



Private rented sector



LHA £15 Excess

- Affects 47% of LHA claimants
 - Average loss £12.00. 68% of losers in the £10–15 range of losses
 - Proportion of claimants losing increases with property size (range 30%–82%)
 - From April 2011
-
- DWP Estimate: 30,360 claimants (East of England = 43%, -£11.00)



LHA Caps

- Regulations already laid
- Absolute weekly limits:
 - 1 Bed £250.00
 - 2 Bed £290.00
 - 3 Bed £340.00
 - 4 Bed £400.00
- No properties currently affected in East of England except 4 bed limit
- 350 properties average loss £51.00
- No mechanism for up-rating caps
(Government can choose index and timing)



LHA CPI Cap

- LHA rates updated in line with CPI rather than real rents
- Effect will be overtime to squeeze the 30% of the market that is theoretically available
- Over the period 1991 to 2009, with sole exception of 2009 rent inflation outstripped CPI.
- In theory there will come a point at which the lowest real rent is higher than the 30th PC updated by CPI
- Breaks the link between help with housing costs and actual housing costs
- Most of East of England is high risk



LHA 30th percentile

- Main change affecting PRS tenants
 - 30% away along the line of rental evidence
 - Regulations already laid
 - Problems where evidence base is poor makes 30th percentile more volatile.
 - 47% of losses in £5–10 per week range
-
- DWP Estimate: 59,460 claimants losing average £8.00 per week in East of England (84% of caseload)



Shared room rate

- Currently applies to single claimants aged under 25
- Benefit restricted to the average rent of a room in a shared house
- Housing associations exempt (at the moment...)
- Upper age limit being increased to under 35 (from January 2012 new claims or review date)
- DWP Estimate: 88,00 claimants (Great Britain); CIH estimate if expanded to social sector 220,000



LHA 2011 measures combined

- 100% LHA claimants lose average £12 per week (Great Britain)
- Currently 936,960, of which 565,230 on passport benefit (East of England 70,970)
- Average loss East of England £10.00
- Excludes shared room rate extension
- Largest groups of losers in the £10–£15 range (48% of losers in East of England)



Regulations

- HB regulations
- <http://www.legislation.gov.uk/uksi/2010/2835/contents/made>
- Rent Officer regulations
- <http://www.legislation.gov.uk/uksi/2010/2836/contents/made>



Social rented sector



Social sector size limits

- Requires primary legislation – will be in Welfare Reform Bill – then subsequently detail made by regulations
- Does not apply to pension age claims
- Details not set yet: but starting point will be the PRS standards
- DWP impact assessment 530,000 one bedroom, 150,000 two or more.
- Average loss £13 (£11 one room, £20 two+ rooms)



All tenants



Non-dependant deductions

- Previously frozen since April 2001
- Unfreezing in three staged increases starting in April 2011
- By April 2014 back to where they would have been(??)
- Indexed to eligible rents (2001–10) then RPI thereafter (80% to 90%?)
- CTB (24%) as well as HB (27%)



Rent charges 2010-12

2010 /11	7.40	17.00	23.35	38.20	43.50	47.75
2011 /12	9.40	21.55	29.90	48.85	55.20	60.60
Loss/ week	2.00	4.55	6.55	10.25	11.70	12.85



Council tax charges 2010-12

2010/11	2.30	4.60	5.80	6.95
2011/12	2.85	5.70	7.20	8.60
Loss per week	0.55	1.10	1.40	1.65



Household benefit cap

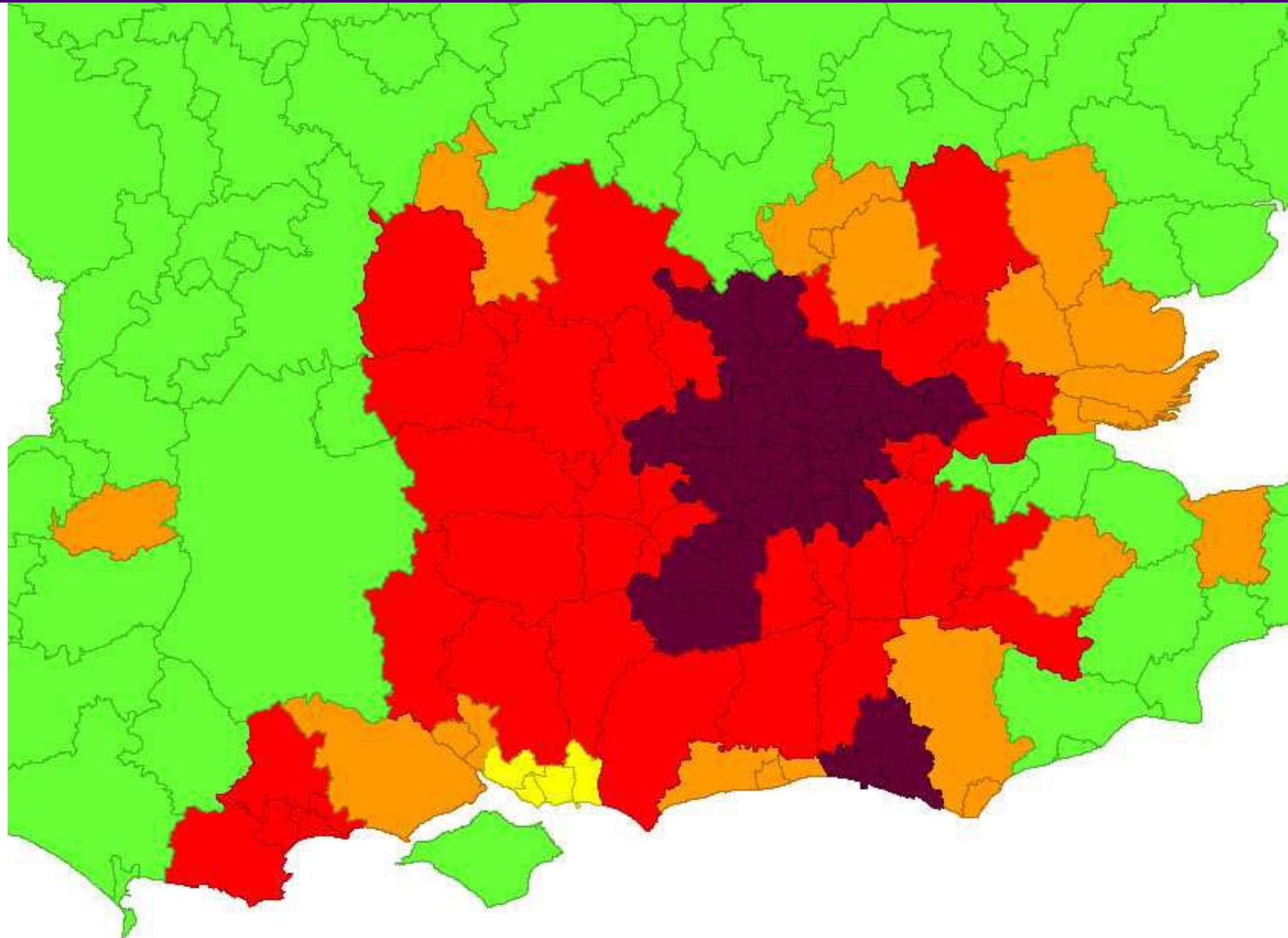
- Based on national average earnings
- Applies to all tenures
- Only applies to out of work households
- Doesn't apply to households on disability living allowance, working tax credits, war widows pension or retired
- Impact on large families in high rent areas
- HMT Estimate 50,000 cases nationally average loss £93.00 per week



Household benefit cap: PRS

Notional shortfalls by Local Authority

- No shortfall
- £0-£5/week shortfall
- £5-£20/week shortfall
- £20-£50/week shortfall
- £50+/week shortfall



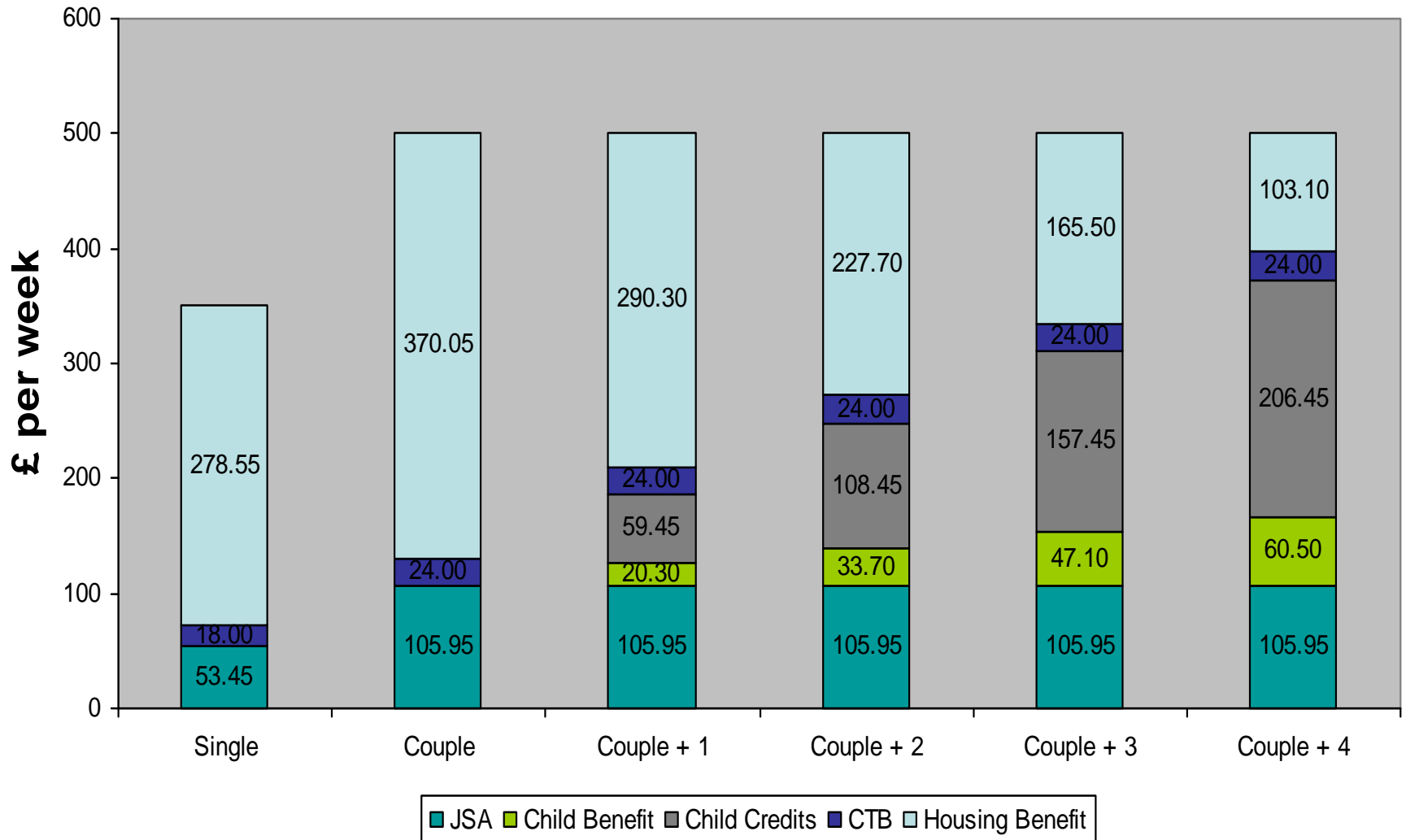
Household benefit cap: impact on 3 child families in London and the south east.

Household benefit cap

- Part of Spending Review
- Overall cap of £350 / £500 per week
- Add together all out of work benefits:
 - JSA/ESA, income support, carers allowance, child tax credits, child benefit, HB for rates, industrial injuries disablement benefit
- 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



2013 & Beyond – Universal Credit

Part 4



“21st Century Welfare”

- Potentially much wider reaching implications than the Budget 2010 reforms – positive and negative
- Central idea to combine all means-tested benefits for working age claimants into single working age benefit (already under way)
- Single income assessment (good most effective way of dealing with deepest part of poverty trap)
- Incentives to enter work and build up over time



Universal Credit

- Reduce complexity in the structure of the benefits system....
- but at the expense ending up with one very complicated benefit (especially if design features are focussed on savings)
- Help with housing costs reconfigured
- Integrated 'real time' weekly adjustments
- 'Challenging IT and administration reforms'



Help with housing costs

- High earnings disregard for owners – but out of work support under review
- Initial high earnings disregard for tenants reduced by a percentage of their rent Lower in work income for low earners
- PRS rates ‘up-rated to ensure fair but not excessive’
- Initially based on HB rules but may move to more ‘rough and ready’ in the long run
- Under occupation measures carried forward
- Tension with council tax benefit



Administration

- Starts in October 2013 (new claims?) final transfers completed by Oct 2017
- Administered centrally by DWP
- Application will initially be on-line
- Real time assessment of income – no need to update earnings
- Sanctions – implies will lose all components of support including housing costs with system of hardship payments
- ‘New IT on same scale as required for ESA’!!!
- Passport benefits ‘graduate thresholds’



Payment

- ‘include some ongoing use of direct payments to landlords’
- ‘Monthly’ payments



Conclusions



Welfare Reform Bill

- Powers to bring in the under-occupation, household cap and CPI measure very widely drawn
- Scope of measures as outlined in White Paper could easily be extended at later date
- Suggests that once universal credit is embedded housing costs will be based on average/approximate amounts
- Regardless of landlords views long-term trend is towards personalisation
- Focus of lobbying should be to contain powers



Long-term political risks

- Personalisation has all party support so landlords should plan for this regardless of short-term victories
- If capital subsidy is abolished there is only revenue left to cut
- Tax credits, HB, CTB, JSA and ESA combined will create a very big spending bubble. Pressure to curtail expenditure will ratchet up
- Affordable rent will add to the pressure
- Powers in Bill more than wide enough to 'move the goal posts'
- Is it likely that Universal Credit will remain stable for 30 years?



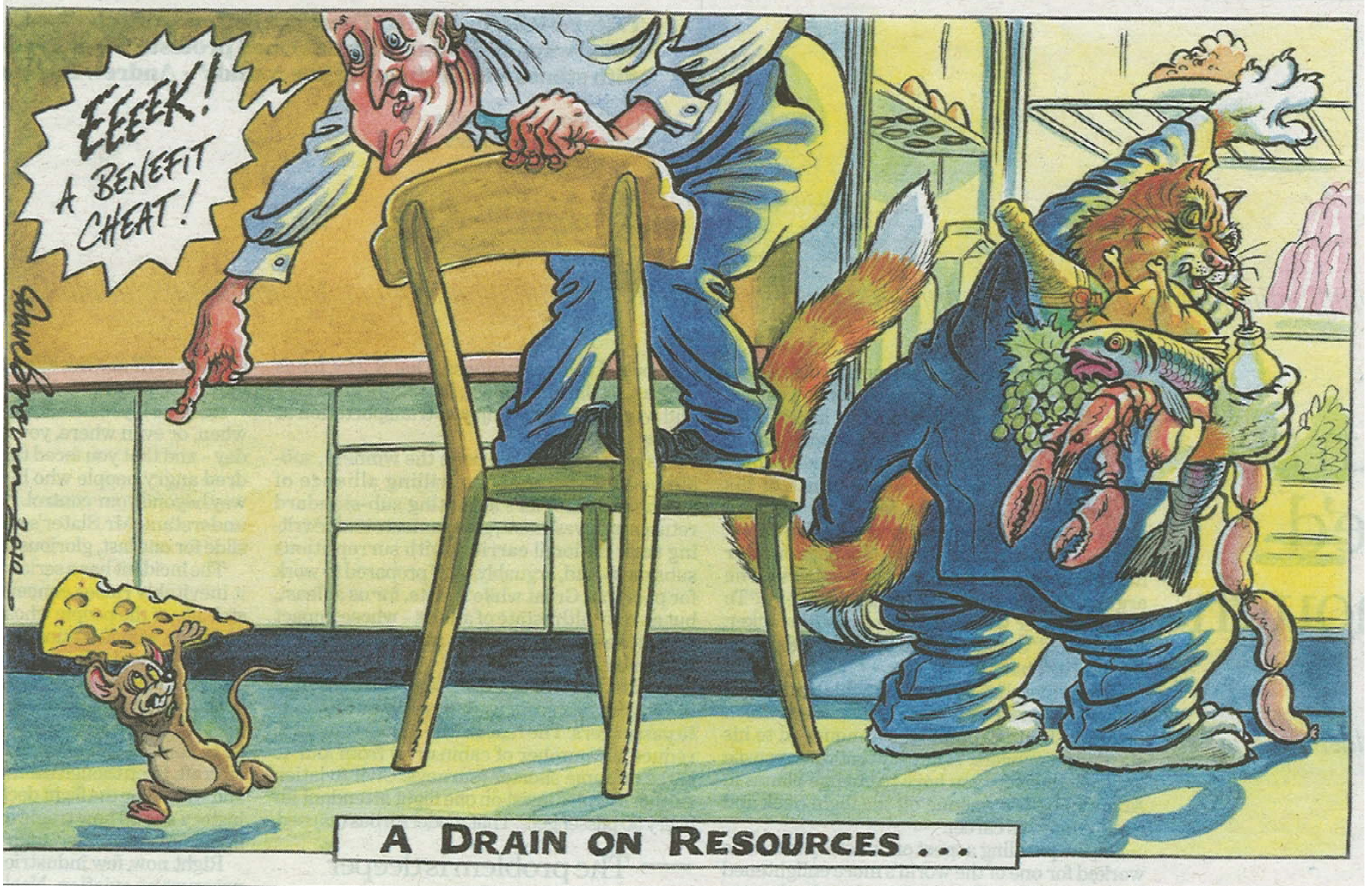
Business impacts

- 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
- Which one are you?....



We are all in this
together...





A DRAIN ON RESOURCES ...