Briefing Paper

Welfare Reform and Housing Benefit in England

May 2013

Introduction

Housing Benefit is designed to give financial support to people who would otherwise have difficulty in affording a home. Tenants of local authorities, housing associations and private landlords on low incomes are eligible to apply for Housing Benefit, and can receive a payment that meets either all or part of their housing costs. In some circumstances service charges are also eligible for housing benefit.

The amount of Housing Benefit payable depends on the circumstances of the claimant, and their housing costs. The Housing Benefit rules and regulations are complex. To be eligible to receive Housing Benefit, a person's income must be below a certain level and they must pay a reasonable level of rent regarding the needs of their household and the area in which they live (if the rent is considered to be too high it is not eligible for benefit). The level of savings held by the claimant is also taken into account.

The way in which government provides financial support for housing has changed significantly since the 1970s. In 1979, government spent £20billion (at current prices) of which 61% was on 'bricks and mortar', 28% on tax relief and 11% on housing benefit. Since then the emphasis has changed from providing direct funding for housing to providing funding to individuals to enable them to afford to pay rent. This has seen a significant increase in social rents. As a result, by 1996/97, while total government spending on housing had fallen to £18billion (at current prices) 57% was spent on housing benefit, 22% on 'bricks and mortar' and 20% on tax relief. This trend has continued until the present day. In 1999/2000 the cost of housing benefits was £11billion. This had increased to £20billion in 2009/10.

Housing Benefits that are available include:

- Rent Allowances
- Rent Rebates
- Non-HRA Rent Rebates
- Local Housing Allowance (LHA)

Rent Allowances and Rebates

Rent Allowances are available for housing association tenants while rent rebates are available for council tenants. Prior to April 2008 rent allowances were also available for private tenants but since then private tenants have been able to claim the local housing allowance. Rent allowances and rent rebates are governed by the Social Security Contributions and Benefits Act 1992, Social Security Administration Act 1992 and the Housing Benefit Regulations 2006.

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Rent allowance and rent rebate claimants who are on income support, jobseeker's allowance (income based) and pension credit (guarantee or guarantee and savings credit) are eligible for full benefit. Partial benefit is paid to claimants whose income exceeds the threshold with the assumption made that 65% of 'excess income' is applied to pay the rent. There is also a capital threshold which means that people with savings of over £10,000 are not eligible for housing benefits.

In the case of Rent allowances, rent must not be unreasonably high and there must not be over accommodation. However, this requirement does not apply to rent rebates.

Service charges are also eligible for rent allowances or rebates as long as they are related to the accommodation and must be paid under the tenancy.

Non-HRA Rent Rebates

Local authorities will sometimes provide temporary accommodation under homelessness legislation. In these cases, tenants will pay rent net of any rent rebate. These rent rebates are calculated in the same way as described above. Each year the Department for Work & Pensions establishes a 'cap' for each authority that represents a limit above which they reduce the amount of subsidy that they will contribute towards the cost of the benefits.

Local Housing Allowance

Local Housing Allowance was introduced under the Welfare Reform Act of 2007 and came into operation in April 2008. Since then it has replaced rent allowances for private sector tenants for all new claims and in instances where there is a change of circumstances in a rent allowance claim.

Local Housing Allowance is based on 'Broad Market Rental Areas'. Within each Broad Market Rental Area there is a set of standard rents and benefit entitlement is based on these rather than on actual rents. Local Housing Allowance is therefore dependent on the claimant's accommodation needs and average rents in the area. However, claimants can only retain up to £15 a week of any difference between the Local Housing Allowance and the actual rent paid and this will be removed from April 2011. The introduction of the Local Housing Allowance represents a simplification of the system and enables the Department for Work & Pensions to exercise better control over housing benefit costs.

Claimants who are on income support, jobseeker's allowance (income based) and pension credit (guarantee or guarantee and savings credit) are eligible for Local Housing Allowance. Partial benefit is paid to claimants whose income exceeds the threshold with the assumption made that 65% of 'excess income' is applied to pay the rent.

Discretionary Housing Payments

Councils have discretion to make discretionary housing payments to claimants who they consider are facing extreme hardship. The Department for Work & Pensions limits the amount that councils can spend under this scheme and makes a financial contribution. In 2010/11 the total that councils were allowed to spend nationally was £20million compared with the total cost of housing benefits of £19billion although the budget has recently been increased as described below.

Councils can top-up their discretionary payments budget using their own resources. Authorities that do this can see their grant increase as the amount of grant is partly dependent on recent levels of expenditure.

Housing Benefit Subsidy

Councils claim housing benefit subsidy from the Department for Work and Pensions. The sums involved are significant and, over time, have increased considerably. Housing benefit costs are also difficult to predict and control both at local and national level.

The government funds 100% of rent rebates and rent allowances from subsidy. However, the cost of penalties for mistakes such as overpayments is met by the Council. Subsidy paid by the Department for Work & Pensions is adjusted if average actual rent exceeds the limit rent. The Housing Revenue Account makes the shortfall in the General Fund good. The government also meets the cost of administering Housing Benefit.

Budget 2010

The coalition government has made reform of benefits a priority. Their objectives are to create incentives for people to return to work and to control and reduce the costs of benefits. The Budget of June 2010 introduced some restrictions on housing benefits.

The budget addressed some of the unfairness that the government believes has become inherent in the Housing Benefit system and in many cases a barrier to helping people into work. They estimated that the reforms would save nearly £2billion in the financial year 2014/15, whilst making benefits fairer and better targeted.

Local Housing Allowance was restricted to a maximum of four bedrooms for new and existing claimants. Alongside this, weekly Local Housing Allowance rates were capped at £250 for a one bedroom property, £290 for two, £340 for three and £400 for a four bedroom property. Local Housing Allowance rates became based on the thirtieth percentile of rents of the local area. From April 2013 Local Housing Allowances will be uprated by the Cost and Prices Index.

There will be staged increases in the rates of non-dependant deductions in the income-related benefits from April 2011. By April 2014, these increases will bring the rates to the level they would have been had they been fully uprated since 2001 to reflect growth in rents and council tax. From April 2013, people who have been on Jobseeker's Allowance for twelve months or more will have a 10% reduction in their Housing Benefit.

The government wants to ensure that the housing stock is better utilised and that entitlement to social housing reflects a family's size. Consequently, working age claimants who are living in a property that is too large will have their benefit capped. To help the most vulnerable people who could be affected by this change, the Additional Discretionary Housing Payments budget will be tripled to £60 million a year from 2013/14.

The coalition government's calculation of the savings and costs as a result of their budget are summarised below:

	2011/12 £million	2012/13 £million	2013/14 £million	2014/15 £million
Savings:				
Remove £15 excess	280	490	520	550
Remove five bedroom rate	5	10	15	15
Cap LHA rates	50	55	55	50
Set LHA at 30th percentile	65	355	400	410
Costs:				
Extra room for carer	15	15	15	15
Increased discretionary payments	10	40	40	40
Total	370	860	940	970

Where tenants find that their benefit will no longer cover all their rent they will have to move to cheaper accommodation, fund some of their rent from other benefits such as income support or job seeker's allowance, or fall into arrears. Landlords are therefore likely to have to manage increased arrears and to consider what steps to take where tenants fall into arrears. This could include eviction.

In the case of private landlords, one option would be to reduce the rent to the level that housing benefit would support. Indeed, there are those who argue that private landlords have abused the housing benefit system by pushing up rents and local housing allowances.

The housing benefit amendment regulations 2010 gave effect to the decisions announced in the June 2010 budget.

From April 2011:

- Local Housing Allowances was restricted to the four bedroom rate
- A new upper limit was introduced for each property size with upper limits set at £250/week for a one bedroom property; £290/week for a two bedroom property; £340/week for a three bedroom property and £400/week for a four bedroom property or larger.
- The £15 weekly excess provision payable within the Local Housing Allowance was removed.
- The size criteria was adjusted to provide for an additional bedroom for a non-resident carer where a disabled customer has an established need for overnight care.

From October 2011:

- The Local Housing Allowance was set at the 30th percentile of rents in each Broad Market Rental Area rather than the median.

21st Century Welfare

In July 2010, Iain Duncan-Smith, Secretary of State for Work & Pensions launched a Green Paper entitled '21st Century Welfare'. This paper proposed a unified benefits system. The paper included proposals that focussed on ensuring work always pays and is clearly seen to pay. They included allowing people to keep more of what they earn as they move into work whilst withdrawing benefits at a single, more reasonable rate as people start to earn more money. Iain Duncan Smith said:

"A system developed to help the most vulnerable and support people in times of need is trapping people in a cycle of dependency. We now have children growing up in households where neither parent works and where the only future is one stuck on benefits. This is a tragedy that we must bring to an end.

"We are proposing to change forever how the system works. Not tinkering around the edges but a fundamental change from the top to bottom. Making it easier to help people into work, fairer to those who pay for the welfare state and continuing to provide unconditional support to those who need it.

"This will affect everybody which is why I want everyone with a view on the way forward to contribute. I believe these changes will make work pay and end the poverty of aspiration that has trapped too many people for generations."

The proposal was to:
- Combine elements of the current income-related benefits and Tax Credit systems;.
- Bring out-of-work and in-work support together in a far simpler system.
- Supplement monthly household earnings through credit payments reflecting circumstances (including children, housing and disability).

The system is designed to improve incentives to get a job as people would see no reduction in their benefit until they earn over a certain level. Over a certain level of income a taper would be applied to reduce benefit. This taper would apply to earnings, rather than number of hours worked. It could remove the very high marginal deduction rates, ensuring that work pays for everyone and encouraging people to progress in their employment by not limiting the hours people can work. At present, people moving from benefits to work can see such a large reduction in their benefits that the advantage of moving to work is at best minimal.

21st Century Welfare was followed by the passage of the Welfare Reform Act 2012. The principal changes introduced by the Act relate to the under-occupation penalty, total benefits cap, universal credit and local housing allowance.

Under-Occupation Penalty

Under occupying social housing tenants of working age will face a benefit deduction of up to 14% of their housing credit if they have one spare room and up to 25% for two spare rooms. This is known as the under occupation penalty. The government estimates that this measure will save £490million. The measure will come into effect in April 2013. The government considers that the policy will help to reduce housing benefit expenditure and will encourage tenants to either seek work or move thus freeing up social homes. However, critics describe the measure as a 'bedroom tax' that will adversely affect 670,000 social tenants.

In February 2013 it was announced that Knowsley Housing Trust is to reclassify rooms in 566 of its properties as rooms other than bedrooms so that the tenants will avoid the under-occupation penalty. However, this will also result in a downward recalculation of rent that is estimated to cost the association £250,000 a year. The government has stated that it is up to individual landlords to determine how many bedrooms there are in each dwelling. However, according to a survey of housing associations by the National Housing Federation in January 2013 only 11% of landlords are likely to reclassify a significant number of homes because of concerns about the effect on rent income and lending agreements.

Government originally stated that the under-occupation penalty would not apply to people of pensionable age. However, it later emerged that where one member of a couple was of pensionable age but the other was of working age the under-occupation penalty would apply and that 67,000 couples are in this position. Following widespread criticism the government agreed in February 2013 to review their approach to this aspect of welfare reform.

Alan Markbride, Chair of the Tenants' Forum at Impact Housing Association was quoted in the 'Cumberland News' in March 2013 as saying:

"I think it's totally unfair… I could put in for a one bedroom flat but there's none available. The government wants people to take in a lodger but you need your privacy and where would my children stay (when they visit)… When you're on £96v a week, £14 is a big drop. There's nothing I can do about it. I don't think the government realises how much it's going to affect people like myself."

Liam Byrne MP, Shadow Work and Pensions secretary, was quoted in 'Housing News' as saying:

"About £490million is earmarked to be saved by this policy over the course of this year, but it will be saved only if 660,000 households are hit for £14 a week for 52 weeks a year. That is how those savings will be delivered. This is not about bringing spare bedrooms on to the market; it is about hurting vulnerable people and asking them to pay extra. (It is a) policy that is unique in its cruelty".

At Impact Housing Association, where I am Chair, we have found after a month of the under-occupation penalty that many of the tenants who are affected have yet to pay their contribution towards the rent. We have responded by visiting all affected tenants on our main estate at Salterbeck in Workington. What we found was that:

- There is no hostility. Tenants understand this is government policy and are prepared to talk to housing officers. Information that has been provided by Impact and the local media has been understood.
- One in ten of the tenants who had not paid the under-occupation penalty were not actually liable to pay – either because of incorrect assessments by the local authority or because of a change in circumstances such as the birth of a child.
- While tenants are prepared to make arrangements to pay, many tenants are upset and worried about how they can pay the under-occupation penalty.

There is clearly a need to support and advise tenants but this will be very resource-intensive. We need to be FAIR: Flexible in how we operate; Actively going out to talk to tenants; In the Communities and Resourced to provide support.

Total Benefits Cap

The total benefits cap is a cap on all benefits receivable by a household of £500 a week for couples and single parent households and £350 a week for single people. There are exclusions for some household types including war widows and those receiving working tax credits. It is estimated that 67,000 claimants will be affected and that they will lose an average of £83 a week. The estimated savings are £305million by 2014/15 although a budget of £130million has been made available for discretionary payments. The measure will come into effect in April 2013. The government considers that as well as making savings the reform will bring fairness to the benefits system as workless households will not be able to receive more in benefits than the average working household receives in wages & salaries. Critics point out that people living in high rent areas are most likely to be affected by the cap. Families with large numbers of children are also likely to be affected. 'Inside Housing' has reported that Haringey Borough Council has calculated that a couple with five children living in Tottenham would only be able to claim £46 a week in benefits to fund a £350 a week rent bill. Consequently such households could become homeless and have to be placed in expensive temporary accommodation by councils. The Council is quoted as saying:

"The overall benefits cap will render larger family sized private rented housing in London unaffordable for workless households."

In December 2012 the government announced that the benefits cap would be phased in, and from April 2013 would only apply in Bromley, Croydon, Enfield and Haringey. These four authorities have complained that this will enable neighbouring authorities to place people in the 'capped' boroughs leading to a shortage of suitable homes. Ahmet Oykener, Cabinet member for housing at Enfield Borough Council, was quoted in 'Inside Housing' as saying:

"Our homeless families will be competing in a highly competitive private rental market with residents from other London boroughs and elsewhere who will be able to pay higher rents."

Universal Credit

Universal Credit will combine several means-tested benefits, tax credits and housing benefit into one monthly payment paid directly to tenants. It will be administered by a large information technology system using real time tax information to update calculations of claimants' entitlements. The government calculates that savings of £2billion a year will be made although the costs of implementation are estimated at £4billion. The government considers that this will simplify benefits and make it transparent that people would be better off in work rather than being on benefits. Claimants will be encouraged to take responsibility for their finances as they will receive a single direct payment. It is estimated that 2.8million people will see their benefit entitlement increase while 2million will see it reduce. Critics argue that many claimants will find difficulty in managing their money as they are not used to doing this; that using an information technology based system will reduce face to face contact and advice; and that social landlords will face increased costs of income collection and increased arrears and bad debts.

In November 2012, the Joseph Rowntree Foundation published research that suggested that universal credit would neither reduce poverty nor encourage people into work. In particular, it found that the separate means testing of council tax benefit would leave many claimants worse off. Julia Unwin, Chief Executive of the Joseph Rowntree Foundation was quoted in 'Inside Housing' as saying:

"The principle of universal credit is sound, but our research has found the actual roll-out could unintentionally trap people in poverty and hardship."

In October 2012 'Inside Housing' conducted a survey of social landlords and found that they were planning on an increase in arrears from 3.7% to over 5% by 2014/15. Leeds City Council expected its arrears to increase from 2.1% to 3.4% while Wolverhampton Homes expected their arrears to increase from 1.5% to 4.5%, had increased their bad debt provision from £0.5million to £1.0million and expected an increase of £250,000 a year in management costs.

The final elements of the new system were announced in December 2012 by Iain Duncan-Smith, Secretary of State for Work & Pensions. He stated that three million families would be better off with universal credit by around £168 a month and added that three quarters of these will come from the bottom two fifths of the income scale. He said:

"The Autumn Statement confirmed Universal Credit will begin next year on time and under budget. Today, the final key elements of this reform are put in place. These confirm the new system will make work pay and protect the people who need it most. The clear work incentives of Universal Credit will result in up to 300,000 more people moving into work. We have invested to ensure people are cash protected when they move over to the new benefit so nobody will lose out."

The government considers that the Universal Credit disregards and work allowances will be more generous than the existing system. Some of the changes within the Universal Credit regulations include:

- No longer taking into account income from war pensions or armed forces compensation when calculating benefits.
- Disregarding 100% of contributions to an occupational or personal pension scheme.
- 200,000 under 25s being able to claim in work support for the first time.
- Kinship carers no longer being forced to look for work as a condition of their benefit.
- New rules for the self-employed that will now assume a minimum level of income at the National Minimum Wage which will incentivise claimants to increase their earnings and productivity and realise their financial potential.

In February 2013 the government announced that homeless people, those with mental health problems, victims of domestic violence and households supported by the troubled families programme will be offered additional support including help with using the online universal credit system and budgeting.

Universal credit pathfinders will start in some areas in April 2013 to test the implementation of universal credit before it is rolled-out nationally by April 2014. Existing claimants will migrate to universal credit on a phased basis ending at the end of 2017.

Reform to Local Housing Allowances

From April 2013 increases will be based on the consumer price index rather than the retail price index. The consumer price index tends to rise less fast than the retail price index. Caps based on the thirtieth percentile of rents will be progressively introduced equating to between £250 a week and £400 depending on property type and location. The government has calculated that these changes will save £740million by 2014/15 and considers that they will also reduce private sector rents. Critics fear that private landlords will refuse to let to benefits claimants and that thousands of families may have to move to less expensive areas.

April 2013 will also see the abolition of community care grants and crisis loans that will be replaced by local arrangements administered by councils. Local council tax reduction schemes will also replace the national council tax benefit scheme.

Direct Payments to Social Tenants

The previous government had considered moving to a system of Local Housing Allowances for Social tenants. This would include direct payments and rent allowances (shopping incentives) under which payments would be made to the tenant rather than the landlord and the link between benefit entitlement and actual rent paid would be broken and tenants would receive Housing Benefit on the basis of their assessed needs and means. If their actual rent were lower than the assessment the tenant would be allowed to retain the difference and spend it on what they chose. If their actual rent were higher than the assessment the tenant would have to find the difference from their other resources – in practice their income support. This would give tenants an incentive to 'shop' for cost-effective accommodation and to move to cheaper accommodation.

The present government has decided to pursue this option and during 2012 carried out some pilot projects to identify its effects. They consider that direct payments will give benefit claimants increased financial responsibility, making it easier for them to make the move into work. This move follows the direct payment of Housing Benefit to claimants living in the private rental sector.

In December 2012, the Department for Work and Pensions published the findings from the Direct Payment Demonstration Projects, showing numbers of tenants taking part and payment levels. Minister for Welfare Reform, Lord Freud, said:

"Direct payments of benefits will help people to step into the workplace without the many institutional barriers that now exist. However, we have always been clear that exemptions must be in place alongside the right support for those who need it and the Demonstration Projects are showing us and the housing community the steps that must be taken."

The projects investigated a range of elements of direct payments to provide protection for landlords and tenants including:

- Whether any groups should be exempt from receiving their payments directly.
- Different levels of support social sector tenants may need to move to direct payments of housing benefit, such as advice on managing personal finances and budgeting
- The exemptions that need to be in place for direct payments
- Payment switch-backs to the landlord if a tenant falls into arrears
- The support to help tenants in arrears, to pay back their arrears and to potentially return to direct payments
- Early intervention switch-backs before arrears reach trigger points

The projects in six areas across Great Britain tested a number of different aspects of the direct payment of housing benefit to social sector tenants, ahead of changes that form part of Universal Credit. Over four months, 6,220 social tenants were paid their housing benefit directly. Of a total level of rent charged of £7.7million, rent collection rates stood at 92%. Across the different areas, levels of payments by tenants on the projects varied from 88% to 97% - demonstrating the different conditions and approaches being tested in each area. A total of 316 tenants were switched back to payments to their landlords - either because they had reached triggers for switch back or had been switched back due to early invention.

Shropshire County Council was one of the pilots. They found that one of the problems in collecting rent is the lack of access to banking services in rural areas.

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Gavin Smart, Director of Policy and Practice at the Chartered Institute of Housing was quoted in the Housing News as saying:

"We are pleased that some findings from these demonstration projects have finally been released. The Chartered Institute of Housing has been calling for more transparency from the Department for Work & Pensions for some time on this issue so it is good to see they have taken note.

"It is crucial that landlords are given as much information as possible from the pilots to help them plan ahead, put effective processes in place and mitigate any risks arising from the new system.

"The arrears percentage in this report is too high and would be hard for landlords to support in the longer term, but the pilot projects are still in their early stages and we hope collection levels will increase once the new systems and approaches begin to bed in.

"Direct payment is a massive cultural shift and will take time for both tenants and landlords to get used to. These findings demonstrate the importance of good communication between landlords and their tenants in keeping rent arrears down.

"The six areas are trialling different rent collection processes and switchback mechanisms and as the pilots continue we hope more information will be released about how each system has worked. The Chartered Institute of Housing will work with landlords to determine the most effective systems and practices and support them in putting those into place."

The demonstration projects that trial direct payments of housing benefit will run from June / July 2012 to June / July 2013.

Budget and Autumn Statement 2012

George Osborne, Chancellor of the Exchequer, said while presenting his 2012 budget that Treasury analysis has shown that further welfare savings of £10billion will have to be made by 2016 if further cuts to departmental budgets are to be avoided.

In the autumn statement in December 2012 it was announced that a further £3.7billion would be saved by limiting the increase in most working age benefits, including local housing allowances, to 1% a year.

To date the government has avoided making reductions to benefits that are claimed by people of retirement age. However, there are suggestions that they may not be able to afford to continue this policy. In October 2012 Sam Lister, Policy & Practice Officer at the Chartered Institute of Housing was quoted in ‘Inside Housing’ saying:

“The government has to start making inroads into payments for older people – any slack in the working age households has been driven out already.”

Reaction to Welfare Reform

The Work & Pensions select committee in Parliament has expressed concerns about benefit reform. In November 2012 they completed an enquiry into Universal Credit and called for a delay the direct payment of housing benefit to social tenants under Universal Credit and recommended that, during the initial phases of the programme, claimants who currently have their housing costs paid to their landlord should have the option to continue with this arrangement.

The MPs concluded that many of the principles underpinning Universal Credit are positive, but getting the implementation of the system is critical in order not to disadvantage low income households. They concluded that while the new system will be effective for the majority of claimants it has concerns for some of the more vulnerable benefit claimants.

The committee said time needs to be allowed for a proper evaluation of the Government's demonstration projects - currently half way through - that are testing the direct payment of housing benefit to a sample of tenants. The report said:

"We believe that time needs to be allowed for a proper evaluation of the pilots which the Government is running on direct payments to tenants, followed by a phased implementation of direct payments, after appropriate safety net arrangements for vulnerable people have been developed and tested.

"We therefore recommend that, during the initial phases of Universal Credit implementation from April 2013, claimants who currently have their housing costs paid to their landlord should have the option to continue with this arrangement. It is also important for the Government to move quickly to publish a clear definition of 'vulnerable' groups within Universal Credit for whom it will not be appropriate to include housing costs in their benefit payment. It also needs to establish a robust process for proactively identifying claimants who are struggling to manage their housing costs so that they can be properly assisted before they fall into arrears and face eviction.

"The Department for Work & Pensions must also clarify how the administration of supported exempt accommodation rental charges will operate within the Universal Credit system, and in particular, whether or not housing costs will be paid direct to landlords."

Many housing organisations have expressed their concerns about Universal Credit and Direct Payments and have called for the Department for Work & Pensions to accept the recommendations of the select committee.

The Chartered Institute of Housing welcomed the report. Their research estimates that 400,000 low income working families will be worse off in 2015 than they were under the benefit system in 2010, if Universal Credit is implemented in its current format. Gavin Smart, Director of Policy and Practice at the Chartered Institute of Housing said in the Housing Newsletter that:

"The Department for Work & Pensions select committee has identified important issues that risk the successful implementation of Universal Credit. Of most concern is the risk to low income working families who stand to be worse off with Universal Credit than they would have been in 2010. Getting the design of Universal Credit right now is critical to its success.

"The committee also rightly identifies that government can most effectively ensure the success of the Universal Credit pilots by making relevant information available in a more timely and transparent manner. Doing so would enable households and organisations to prepare properly for the changes that Universal Credit will usher in. We understand the challenges of interpreting data from the projects, but we think government could have significantly benefited from being more open earlier. There is a wealth of experience at hand to help them with the data interpretation and the industry would be happy to help."

Most people consider that Universal Credit is an excellent concept and that its introduction is long overdue. It is unfortunate that this is being done at the same time as there is a recession and government is seeking to make significant reductions in expenditure on welfare benefits. Opinion on direct payments is more divided. Perhaps it would be wise for the Department for Work & Pensions to proceed with caution and to heed the advice of the select committee and those in the sector.

Having initially reduced the budget for discretionary payments from £50million in 2009/10 to £20million in 2010/11; the government has increased the budget to £60million in 2012/13 and £165million in 2013/14 to enable local authorities to use discretionary payments to mitigate the most serious cases of hardship that may be caused by the benefit reforms. The budget contains ring-fences with £75million allocated to those affected by the 'benefit cap' and £30million allocated to those affected by the 'bedroom tax'. However, critics have pointed out that these budgets are small compared to the reductions that are being made to benefits budgets. Karen Buck MP (Labour), for example, told Parliament that this would:

"Make the loaves, the fishes and the feeding of the five thousand seem like a positively unambitious model of social policy."

In February 2013 Riverside Housing association published a report 'Challenging times, Challenging lives' that considered how tenants are coping with welfare reform, the economic situation and spending cuts. It concluded that both government and landlords would have to increase support services for tenants if welfare reforms were to have a positive outcome. The report said:

"Introducing serious additional and financial and social pressures onto families (with) a poor quality of life and low levels of well-being… is unlikely to result in positive change unless households are also offered substantially increased support services."

Mike Muir, Chief Executive of Impact Housing Association, was quoted in the 'Cumberland News' in March 2013 as saying:

"Most associations have got programmes to help people move. We're all very keen to help people move but we haven't got a lot of smaller properties to put people into. If people have lived there all their lives they don't want to move… We are expecting an increase of £300,000 in rent arrears. Most housing associations budgeted for two to three percent arrears. Most are now budgeting for five percent. I think the courts will be sympathetic to tenants. These things have happened to them which aren't their fault… The money has got to come from somewhere. We've been spending quite a lot of money on upgrading properties. We've been putting in cavity wall insulation and external insulation and high efficiency boilers. Things like this are not essential so they could be cut back."

Local Authority Response

Local authorities are preparing for the introduction of the benefit reforms. The Chartered Institute of Housing has advised that they should do the following:

- Gather data to model the impact of the changes on tenants and the business plan. Key information includes which households are under-occupying, which will be affected by the overall benefit cap, who already has a bank account and who will require assistance with banking and budgeting.
- Communicate the changes to tenants. As well as providing general information on the changes to all tenants, councils should use their profiling data to provide targeted information to those who are most likely to be affected and aim to make face to face contact with more vulnerable tenants.

- Train front line staff so that they are able to answer tenants' questions and help to raise awareness of the changes.
- Support tenants to manage their money by providing or directing tenants to basic budgeting support and alerting them to products that can help them to manage their finances better, such as 'jam jar accounts'.
- Review the approach to rent collection. Offering a comprehensive range of payment options and bearing in mind that while direct debit is the most cost effective payment method for landlords, it may work less well for tenants who have irregular or variable incomes.
- Consider the approach to allocations and transfers to establish whether tenants are being placed in properties that could become unaffordable and whether sufficient priority is given to households that need to move because of the reforms.
- Make best use of existing homes by working with under-occupying tenants to establish how best to meet their need for a smaller home. Considering whether mutual exchanges are used to best effect.
- Help tenants into work or training. Finding work is the main way in which many tenants will be able to increase their income and sustain their tenancies. Councils should consider how they could facilitate this.

Welfare Reform: The Implications for Housing and Local Government - October 2013

'AWICS' is holding a seminar on 'Welfare Reform: The Implications for Housing and Local Government' in London in October 2013. This seminar will look in detail at the Government's controversial welfare reforms and their implications for claimants, social landlords, local authorities and the public finances in all the nations of the United Kingdom.

The seminar comes at a critical time with the government in the process of implementing the welfare reforms that are contained in the Welfare Reform Act of 2012. Many of the reforms are to be introduced in April 2013 including the benefits cap, under-occupation penalty, the localisation of council tax support, personal independence payments and the universal credit pilots. In October 2013, Universal Credit will start to be rolled out for new claimants.

But what effect will all this have on claimants, housing associations and local authorities and how can they manage the reforms to mitigate the risks that they face?

The seminar addresses:

- Introduction and Overview of Welfare Reform
- Welfare Reform Act 2012
- Under-occupation penalty (bedroom tax)
- Total Benefits Cap
- Universal Credit
- Personal Independence Payment
- Council Tax Support
- New Information & Communications Technology Systems
- The impact of welfare reform on tenants and landlords
- Direct payment demonstration projects
- Practical steps to manage the effects of the reforms
- Advice and Communications
- Housing Options and Allocations
- Management of Rent Arrears
- Discretionary Housing Payments
- Partnership working
- Case Studies
- Demographics
- Social and Affordable Housing Supply
- Potential future reforms

The seminar includes opportunities for networking and is accompanied by a very useful book entitled: **"Welfare Reform: The Implications for Housing and Local Government"**

All those with an interest in the welfare reforms should attend, including councillors and officers of local authorities; board members and officers of housing associations; representatives of tenants and claimants; staff of voluntary bodies; academics; lawyers and civil servants.

Venue and Date: London: Novotel Hotel, Waterloo – 9th October 2013

Further details are available on the 'AWICS' website from where places can also be booked. Please see: http://www.awics.co.uk/welfareseminar.asp

Adrian Waite
Managing Director

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk