SUMMER BUDGET STATEMENT: WELFARE REFORM MEASURES AND IMPLICATIONS

The summer budget was announced on 8th July 2015 and included a suite of welfare reform and housing measures will further build on the national welfare reform agenda and the government's commitment to deliver £12 billion from the working age welfare costs. Some are included within the forthcoming Welfare Reform and Work Bill, which was introduced in the House of Commons on 9th July 2015. Others will be subject to more detailed consultation in the future.

The budget also introduces some changes to social housing, with the aim of creating efficiencies and requiring Housing Associations to make better use of the subsidy they receive. Relevant measures have been selected and are listed below along with some anecdotal commentary as to potential implications for Chorley, where snapshot data was available.

The Benefit Cap

The benefit cap was introduced by the government as part of the Welfare Reform Act 2012 in order to create an incentive to work and create fairness between that tax and welfare system. The legislation stipulates that the level of the cap should be determined with reference to average weekly earnings and reviewed each year.

The new legislation will lower the cap and mean that the total amount of benefits to which a family out of work benefits can be entitled to in a year will not exceed £20,000 (except in London where the cap will be £23,000) with effect from April 2017. For single claimants, the figures are £13,400 and £15,410 respectively.

The legislation removes the link between the level of the cap and average earnings and also changes the timescales under which it must be reviewed to once each parliament.

Linked to this the Government is proposing to provide £800 million pounds of funding for Discretionary Housing Payments over the next 5 years.

Usually the DWP would provide analysis of the number of customers affected by this however, pending such information, officers working in Customer Services and Housing have analysed the data we have on housing benefit and council tax. These are for illustration purposes only and so will not be entirely accurate /cannot be relied upon.

All the assumptions include income based JSA, Child Tax Credits, Child Benefit and Housing Payment at the LHA rate.

- Any household with a 2 bedroom need is not affected.
- Any household with a four bedroom need would already be affected with over £27k benefits, however they would lose £6k more or £115.38 a week more.
- A couple with 2 children and a 3 bed need would lose just over £500 a year or around £10 a week if they were on full the LHA level of £126.58, however a rent up to £117.23 would be covered. A single parent with 2 children and a 3 bed need would not lose out due to the lower IB JSA Rate. Based on current data, 11 families out of 56 would be affected.

- A single person with 3 children and a 3 bed need could lose £1,800 a year or just under £35 pw. A rent of £91.96 is the maximum they could get covered by benefits. 30 out of 219 receive disability benefit therefore 189 families in Chorley would be affected based on snapshot figures. 15 of these families would already be affected and so could lose £6,000 pa/ £115.38p (if not exempt for another reason other than disability) or very close to that level.

  The remaining 115 families are likely to have 3 children and lose between £0.32 pw (£16.64 pa) to £39.48pw (£2,052.96pa) – with a median loss of £11.89pw (£622.96pa).

  In the PRS sector the maximum losses would be £34.62 pw or £1,800.24 pa based on the LHA rate.

- A Couple with 3 children and a 3 bedroom need could lose up to £3,980 per year or just under £77 pw.

- A single person with 4 children and a 3 bedroom need would lose up to £5,300 per year or £102 pw. 22 out of the 126 are likely to have 4 children and lose between £80.74 pw (£4,198.56 pa) to £112.04 pw (£5,826.16 pa) – with a median loss of £99.15pw (£5,155.88pa).

- Any larger households with single parent or couple with more children or bed need would lose up to the full £6k difference in caps or £115.38 per week.

- **In total, including those already affected the maximum number of households who could lose out would be 333 with mean average losses of £2,771.06 pa / £53.29 per week - with median (more typical losses) slightly lower at £2,576.34 pa / £49.55.**

- Whilst the 333 is highly likely to be an exaggeration, with other exemptions and variables possible, even if a half or a third are affected at typically £50 per week, it will still be very challenging. As these families will still get £20k net per year plus council tax support, this highlights the need for increased budgeting assistance. The cheapest 60% of rents are almost all Housing associations, with the higher rents in the PRS, but the very highest rents, exceeding LHA levels and causing the biggest losses are 'Affordable Rents' or RP Rural properties. This emphasises the importance of Social Rent over Affordable Rent.

Changes to the Child Tax Credit

It was announced as part of these savings that the maximum entitlement to child tax credit (CTC) would be restricted for families who become responsible for a child or children or qualifying young person(s) born on or after 6th April 2017. The changes will take effect from the 2017/18 tax year.

The changes will introduce two key changes:

a) To restrict the child element of CTC to two children per family (subject to certain exemptions and on a roiling basis etc.)
b) To remove the family element from the calculation of the maximum entitlement, taking place from 6th April 2017.

Changes to the Child element of Universal Credit

The government is to introduce changes to limit the support provided to families through tax credits to 2 children so that any subsequent children born after April 2017 will not be eligible for further support.

The Summer Statement document states that "An equivalent change will be made in Housing benefit to ensure consistency between both benefits". It is not yet clear what the implications of this means – i.e. if it will be an extension of the current 'bedroom tax'.

Social Housing Rents

The government believes that those on higher incomes should not be subsidised through social rents and therefore social housing tenants with household incomes of £30,000 and above (£40,000 for London) will be required to 'pay to stay' by paying a market or near market rent for their accommodation.

Local authority landlords will repay the rent subsidy they receive from this to the Exchequer whereas Housing Associations (also known as Registered Providers or RPs) will be able to use the subsidy they collect to 'reinvest in new housing', with claims that this 'could raise up to hundreds of millions of pounds in additional rental income'.

Reduction of Social Housing Rents

Social housing rents are set according to Governments rent policy, with social rents set based according to a formula and affordable rent, which can be based on upto 80% of market rate, inclusive of service charges.

A new rent policy published in May 2014 (with effect from May 2015) limited annual rent increases to CPI +1%.

The government proposes to reduce rents payable by social housing tenants in England by 1% for 4 years starting in April 2016. The reduction is based on a snapshot figure taken on 8th July 2015 (or an alternative permitted day as agreed by the Secretary of State).

The rationale provided for this is the 20% rise in social rents over 3 years from 2010-11(due in part to the introduction of the new affordable rent product). It will deliver a 12% reduction in average rents by 2020-21 compared to current forecasts.

Lifetime Tenancies

It is proposed that the government will review the use of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs and ensure the best use is made of social housing stock.

There have been previous attempts under localism to encourage social housing landlords to use flexible tenancies as opposed to assured (long term) tenancies in order to create more turnover and facilitate a 'housing career journey' for those whose situation improves and can then afford to move on to private rent and owner occupation.

There is no detail as yet as to how this will implemented and if the use of assured tenancies as we know them will end.

Mortgage Interest Relief

Help for home owners who are no longer able to pay their mortgage will no longer receive grant assistance with their mortgage interest. Rather, this will become a repayable loan.

Entitlement to Universal Credit for 16 & 17 year olds

From April 2017, 16 & 17 year olds who are out of work will no longer be automatically entitled to housing support in Universal Credit. There will be exemptions for vulnerable people (including those who are unable to return home or those who have worked for 6 months prior to making a claim).

A number of homelessness charities have expressed greatest concern for this measure because of the exclusion and risk homeless young people already face. It could lead to more young people seeking to access Children Social Care assistance and a pathway through supported accommodation.

Freeze of Certain Social Security Benefits and certain tax amounts for four tax years.

A number of social security benefits and tax credits including child benefit and certain elements of working tax credit and child tax credit will be frozen for four years starting from 2016-17.

The Housing Bill

The Housing Bill is expected to have its Second Reading in October and the implications of the proposed legislation overlaps with the welfare changes. The extension of Right to Buy to all social tenants is likely to encourage tenants on higher incomes to buy their own homes at a discount rather than pay increased rents. Therefore the opportunity to raise significant sums in Chorley via 'pay to stay' is expected to be unlikely.

The 200,000 new 'starter homes' sold at 20% discount to under 40 year olds will have an impact on number of affordable homes delivered on s.106 sites. The 'starter homes' themselves can be sold at open market values after 5 years with no need to pay back the discount. The discount will be subsidised by the exemption for s.106 or CIL contributions plus the uplift in land values, such as from brown filled disused employment sites to housing sites