Evidence for the Committee for Social Development on the Northern Ireland Welfare Reform Bill

Chartered Institute for Housing
19 October 2012

Introduction

The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation with a diverse and growing membership of over 22,000 people – both in the public and private sectors – living and working in over 20 countries on five continents.

CIH is the only professional organisation representing all those working in housing. Our purpose is to maximise the contribution that housing professional make to the well being of communities. This response draws on the experience and expertise of members and officers across CIH, including Scotland, Wales and Northern Ireland. CIH delivers a range of services and tools to help landlords and tenants prepare for changes to welfare benefits, and a great deal of our knowledge and understanding of impact and implementation comes from this work. These include guidance to help social landlords tackle under occupancy in preparation for the new penalties introduced by welfare reform and our new Welfare Reform Impact Tool.

CIH, in partnership with DWP and the Department for Communities and Local Government, have also created an online learning network for the housing benefit direct payment demonstration projects which enables organisations that are not part of the projects to be informed about the work and findings, to share in their learning and to exchange information and views about implementing direct payments. This network is also producing invaluable best practice from housing providers about how to support tenants through the changes to housing benefit and the welfare reform process.

Our comments on the Northern Ireland Welfare Reform Bill have been informed by CIH's expert on housing benefit, Sam Lister, who has published a number of papers on welfare reform (available from the CIH website). Sam is also the co-author of the respected Guide to Housing Benefit and Council Tax Benefit 2012-13 and previous editions.

This briefing focuses primarily on the housing related elements of the Bill. We have, however, included some comments outside of specific clauses in the Bill.

1. General comment on the Bill

1.1 In terms of the main principles, CIH has welcomed universal credit as an attempt to streamline the current complex benefits system. However, whilst the range and number of benefits will undoubtedly be simplified, it will be at the cost of creating a very complex new benefit (because it brings together a number of different elements) making it far from straightforward to administer and deliver in practice.

1.2 The lower rates of digital inclusion in Northern Ireland are a big issue in relation to universal credit and something that will have to be factored into the implementation here.

1.3 A significant concern is that the housing knowledge and expertise that is so important in effectively administering housing benefit currently will be lost in the universal credit system. Housing costs have to be related to the housing market and the availability of options like shared accommodation/HMOs and smaller social housing properties. Without that detailed knowledge in making assessments and supporting claimants, there is a risk that individual claimants will be adversely impacted.

1.4 Lack of information is also a key area for concern. CIH has not been able to do much of the complex modelling work that has helped assess the impact for the housing sector in Great Britain because the data is not available here in Northern Ireland. That means tenants and housing organisations here are at a disadvantage compared to counterparts in the rest of the UK because we do not have as clear or as detailed an understanding of the impacts of the welfare reform proposals. Looking to Scotland by way of example it is clear that the government has consistently sought to provide an evidence base for analysis, plan ahead to mitigate and manage the welfare reform changes and ensure that individuals and organisations have access to as much information as possible on the impact of welfare reform.

1.5 We also do not know enough about how universal credit will work or when that detail will become available – this is obviously problematic given that the first universal credit claims will happen in less than a year.

1.6 Without wishing to overstate the impact, it is also clear that the Welfare Reform Bill will mean major changes to the housing system in Northern Ireland and we will all need to work together to ensure that tenants are protected as much as possible and the changes managed effectively and in a timely manner. Involving stakeholders as much and as early as possible in the design and implementation of universal credit in Northern Ireland would be a means of utilising the specific knowledge and skills that exist in the housing sector and ensuring that universal credit adequately reflects the local housing environment.

2. *Secondary regulations*

2.1 The Welfare Reform Bill's heavy reliance on regulations is a concern, particularly given the short time frame before implementation. Given the serious nature of these reforms we would suggest that there must be as much detail provided as quickly as possible on the regulations. It will be important to ensure that there is proper time given for scrutiny of the regulations and debate in the Assembly.

2.2 We welcome the fact that the process of confirmatory resolution will be used to introduce a significant number of these resolutions and that this process will enable the Assembly to introduce amending regulations if they wish to alter regulations which are introduced in parity with Great Britain.

2.3 The lack of detail around a number of the proposals in the Bill is also worrying, again especially because of the tight turnaround between the primary legislation and a number of these measures taking effect prior to and during the introduction of universal credit. It would be useful to press the point that as much information should be made available as soon as possible as widely as possible to ensure that individuals and organisations can fully understand what this will mean for them and take the necessary steps to manage the changes.

2.4 Given these factors the Assembly may wish to consider asking for specific clauses to be included on the face of the Bill rather than accounted for in regulations. The purpose of these additional clauses would not be to alter the structure of universal credit, but to give greater confidence to the housing sector – including its funders – around the practical aspects of administration that enable landlords to help support their tenants and help protect their income streams.

2.5 A practical example is how the rules on payment of universal credit (assumed to be to the tenant in the first instance) combines with the rules about notice and access to information (presumably electronic notice to the tenant only). As principles these are fine, but in practice raise the question of how does a landlord make a judgement on whether to commence possession proceedings when a tenant tells them they have claimed universal credit but have no documentary evidence. Even if the landlord accepts that a claim has been made, how do they make a judgment about the likelihood that an award will be made?

3. *Universal credit (Clauses 1 and 2) - Design and Implementation*

3.1 As universal credit implementation progresses, CIH will continue to assess whether the housing aspects of the system will create an effective system of help with housing costs.

3.2 The process of designing and implementing universal credit poses a number of strategic and operational risks to provision of an effective system. At this stage we are still looking for assurance that these risks will not be realised, because of their potential impact on both the ability of lower income households to secure appropriate housing and on the ability of landlords to provide it.

3.3 Our current concerns are that:

- People and businesses that will be affected by the introduction of universal credit do not have enough information about its detail and operation, or about when this information will become available. This means that concerns about risks and design cannot be allayed, and that those affected find it difficult to schedule and deliver preparations for the impending changes. Perceived risks worthy of particular mention are that:
    - The IT system will not be reliable and simple to use, or there will be insufficient capacity in the system, which in turn will affect speed of claim administration, liaison with claimants, accuracy of decisions and fraud. There is worrying anecdotal evidence emerging from Great Britain that the online questionnaire may take as long as one hour to complete – and if a claim is only partially completed it will not be saved, meaning that claimants who have not successfully completed the process may have to begin from scratch.
    - Since universal credit rolls together a number of different benefits it will comprise of several different elements (e.g. standard, childcare, housing costs). At moment these elements are processed in parallel. There is a danger that the decision on an award will be slowed down to the slowest part of the process. Under universal credit, nothing will be paid to the claimant until everything within the claim has been decided.
    - The intention to reform multiple aspects of the welfare system and simultaneously cut expenditure will lead to the benefit available not covering tenants living costs, pushing people into hardship. This will potentially affect their lives quickly and severely, requiring further public/third sector expenditure
    - The scale of change, and the reduced likelihood that there will be a period of 'steady state' benefit operation, will make impact assessment complex and possibly lacking in value.

- There are significant implementation costs outside of the DWP budget i.e. the time and financial cost of activities which landlords, tenants, and advice services have to undertake to prepare for and deal with the changes. The costs of transition borne by third parties are likely to be high and are unlikely to be rewarded with an equal return to them once steady state operation of universal credit is reached.

- It is very unlikely that the new benefits system will be simple or stay simple. The continuing focus on further reforms and cuts (e.g. proposed £10bn further reductions, changes in eligibility for under 25s) creates a risk that the objective of creating and running a simplified system could very quickly be undermined. There are no safeguards in the universal credit system to prevent the type of tweaks and additions which have caused the current system to become so complex and unwieldy.
- The links between different parts of the implementation programme (e.g. the universal credit pathfinders and the direct payment demonstration projects) appear to be weak. This increases the risk that the final system will not work smoothly and it gives rise to many questions and concerns which hinder preparations for implementation by third parties.

3.4 CIH supports the broad aim that the claims process should be digital by default, not least because in a highly centralised system this appears to be the only way the required rate of decision making can be achieved without a backlog developing.

3.5 A move to online claims will be a significant change for a lot of tenants, many of whom do not have internet access. Moving people rapidly towards greater digital inclusion is beneficial for their social and economic opportunities, but we are concerned that the 'big bang' shift to online claiming could cause exclusion rather than inclusion.

3.6 The potential benefits of claiming online will not simply emerge, even with the increased government investment in internet provision and the promise of some high-street support for the new benefit system. Clarity on the resources that government will provide to the most excluded would be welcome – a good solution will help build capacity for local authorities, housing providers and claimants around provision of advice, support, and skills building.

3.7 The need to provide all requested documentation before a claim is accepted, rather than use the date of engagement as a starting point has particular relevance for those in temporary accommodation. Often homeless people have lost documentary evidence, National Insurance Numbers, Birth and similar Certificates. It is likely this population will be more disadvantaged if the impact of homelessness in this area is not recognised.

Suggested amendment:
That nominated third party verification can be considered in the first instance to activate a claim from claimant who is homeless or living in temporary accommodation, while supporting documentation is collected.

4. *Housing costs (Clause 11)*

4.1 This clause provides for regulations to specify the basis of the amount to be paid in respect of housing costs. It does not provide for benefit entitlement to be related to actual rents in the local housing market. This means that there is a potential in the future for a disconnect between housing costs within universal credit and actual rents to arise. The move from RPI to CPI will also result in reduced availability of affordable Private Rented Sector accommodation and increased homelessness. DWP estimate that CPI will rise by 2% a year and rent by 4%.

4.2 We would suggest that the Welfare Reform Bill should include provision for annual reviews to ensure that there is a strong correlation between housing costs with universal credit and actual rents in Northern Ireland. This would allow for housing costs provision to be amended where necessary, particularly to ensure that the lowest 30th percentile of properties in the private rented sector are affordable.

4.3 Although the extension of the shared accommodation rate was introduced in October 2011 through regulations, CIH would suggest that given the significant impact of this measure and the shortage of shared accommodation in Northern Ireland, this amendment proposed by the Lords is considered.

Suggested amendment:
Insert in Clause 11 after subsection (3)
Regulations shall provide that where the award for housing costs is restricted to the shared accommodation rate, this shall not apply for a period of 52 weeks for any claimant aged between 25 years and 35 years, who is not an existing claimant of housing benefit.

4.4 The Bill does not allow for housing cost run-ons, also known as extended payments, when claimants start work. Under the current system, housing benefit (or support for mortgage interest) continues for four weeks after an individual has found employment which helps claimants to transition from benefits to wages. We already know that the universal credit regulations being drafted in Westminster plan to abolish extended payments. CIH believes that the decision to abolish the current system of extended payments contradicts the government's objective of improving incentives for the long-term unemployed to take up work. Given the high levels of long-term unemployment in Northern Ireland, the Assembly may wish to consider continuing extended payments upon the introduction of universal credit and write this provision into the Bill.

Suggested amendment:
Clause 11 (5) Regulations may:

(c) provide for housing costs to continue for a period of four weeks after a claimant has found employment

5. *Housing benefit: determination of appropriate maximum (Clause 69)*

5.1 CIH is very concerned about the under occupation penalties for claimants living in social housing. Failure to exempt disabled people and foster carers is an issue that we raised in relation to the Bill in Great Britain and is a similar consideration in Northern Ireland. DWP has stated in its Explanatory Memorandum to The Housing Benefit (Amendment) Regulations 2012 that an additional £30m a year will be made available in Discretionary Housing Payments to offset the impacts of under occupation penalties on disabled people and foster carers. This additional funding is aimed at enabling disabled people to remain in their specially adapted homes even though they are under occupying them and for foster carers to account for the periods between fostering when a room may be unoccupied. However, by its very nature the Discretionary Housing Payment is discretionary and short-term. Whilst in the second instance financial support may only be needed for a limited period of time, in the first it would need to be for a sustained period. Furthermore this additional funding has not been ringfenced.

5.2 In order to minimise the extra bureaucracy imposed by attempting to mitigate both of these particular cases through the Discretionary Housing Payment, CIH would suggest that the Committee amend the Northern Ireland Welfare Reform Bill to exempt these two groups from under occupation penalties.

Suggested amendment:
New clause as per the amendment suggested by the Lords:
In the case of a disabled person, relocation shall not be required nor shall benefit be reduced, where adaptation has occurred and local services are provided, in order to deal with the disability.

5.3 The under occupation penalty also takes no account of local market conditions and the availability of alternative accommodation. For example there has been an emphasis on building family housing within the social sector in recent years, meaning that there will not necessarily be smaller properties available for people to move into.

6. *Benefit cap (Clause 95)*

6.1 Under the universal credit regulations, once the benefit cap is in place any money over and above the cap will be reduced from the housing costs element. Some households could in theory find their entire housing award reduced to zero. Although the discretionary payments system can be used to help households adversely affected by the reforms, we expect that because of the very high shortfall that will apply to people affected by the benefit cap most authorities will be reluctant to award DHP because of the very high attrition rate it will place on the budget. This will initially present problems around rent arrears, and then potentially around homelessness, as households are unable to find any accommodation.

6.2 It may be worth noting that, according to child benefit figures, Northern Ireland has the highest levels in the UK of families with four or more children (only London and the West Midlands have higher numbers of five children families). Although this measure has been estimated by the Department for Social Development to have a low impact in Northern Ireland, we do have higher levels than the rest of the UK for four children (30% more) and five children (25% more) families. We also make considerable use of the private rented sector to meet housing need and rents are higher than in social housing. Families receiving housing benefit/universal credit living in four bedroom properties in the private rented sector would be hit by the benefit cap (esp. in Belfast and the South East).

7. *Rate relief schemes: application of housing benefit law (Clause 130)*

7.1 This clause essentially allows for an interim scheme to be developed to replace existing forms of support for rates, as these will not be included within universal credit. This scheme will provide support for rates to households who are not receiving universal credit as well as to those that are.

7.2 The Assembly may wish to consider how best to influence the development of a scheme to ensure that people returning to employment or taking on more hours assume more responsibility for payment of rates at a manageable rate.

7.3 This would ensure that the benefits of a lower withdrawal rate of support (a key element of universal credit) are not lost. The key question is, at what rate will this support be withdrawn?

7.4 For example, housing benefit for rent and rates is currently withdrawn at a combined 85% taper (65% for rent and 20% for rates) of net income after tax credits[1]. If help with rates under a new system continues to be tapered away net of universal credit then people in low paid work would lose the benefits of a single benefit (universal credit) that is withdrawn at a 65% taper of net income[2]. This would mean that the combined withdrawal of universal credit and rates support would leave claimants with 10.2p for every extra £1 they earn as opposed to 23.8p if the only benefit withdrawn was universal. This is hardly an incentive to increase hours or take up work – the primary aim of universal credit.

7.5 Our amendment seeks to ensure that help with rates remains outside of universal credit (thus maintaining parity with the policy intent in Great

[1] Tax credits are withdrawn at a rate of 41% of gross income. So for each additional £1 or earnings, 73p is lost from tax, national insurance and tax credits (20p, 12p and 41p respectively) leaving 27p of which 85% is lost (22.95p) from the HB combined taper leaving 4.05p. This is equivalent to 95.95% rate of tax.

[2] Universal credit is withdrawn at 65% net of tax and national insurance (32p) so for each £1 extra earned a further 44.2p is lost of the 68p left after tax and national insurance. Leaving 23.8p equivalent to a 76.2% tax rate.

Britain), whilst mimicking the amount of benefit that would be received if help with rates was included within universal credit (so that support for rates is removed at lower marginal withdrawal rates). If the new rates relief scheme is developed based upon the current system, rather than what would be the case if support for rates was contained within universal credit (as was advocated in Great Britain), then low income households returning to work or taking on additional hours will find that they very quickly have to take on responsibility for payment of rates. What we are suggesting would ensure that payment of rates is assumed at a level commensurate with universal credit, thus ensuring that households do not find themselves only very marginally better off in work or if they increase their hours.

Suggested Amendment:
That the current rates relief system is replaced by a scheme that will enable the same tapers to be applied to rates relief as to universal credit.

8. *Supported Housing*

CIH welcomes DWP's decision to remove the housing costs for supported housing from universal credit as it recognises the higher costs for this form of accommodation and the need for greater flexibility in providing support to tenants. However, this does still leave a number of issues to be worked out in relation to supported housing. For example, will removing these housing costs from universal credit mean that they are no longer demand-led and therefore mean a reduced pot of money if claimant numbers increase in the future.

8.1 CIH would suggest that a working group of supported housing providers and representatives is set up to work with officials in the Social Security Agency on how housing costs for exempted accommodation are to be managed within the new benefits context.

Conclusion

These are by no means CIH's only concerns pertaining to the Northern Ireland Welfare Reform Bill, the subsequent regulations and the planning and preparation for how welfare reform will be managed and mitigated. However, within the context of clause-by-clause scrutiny of the Bill and the potential to amend the legislation, we believe that they are important points to consider and hope that they will be of use to the Committee in its deliberations.

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