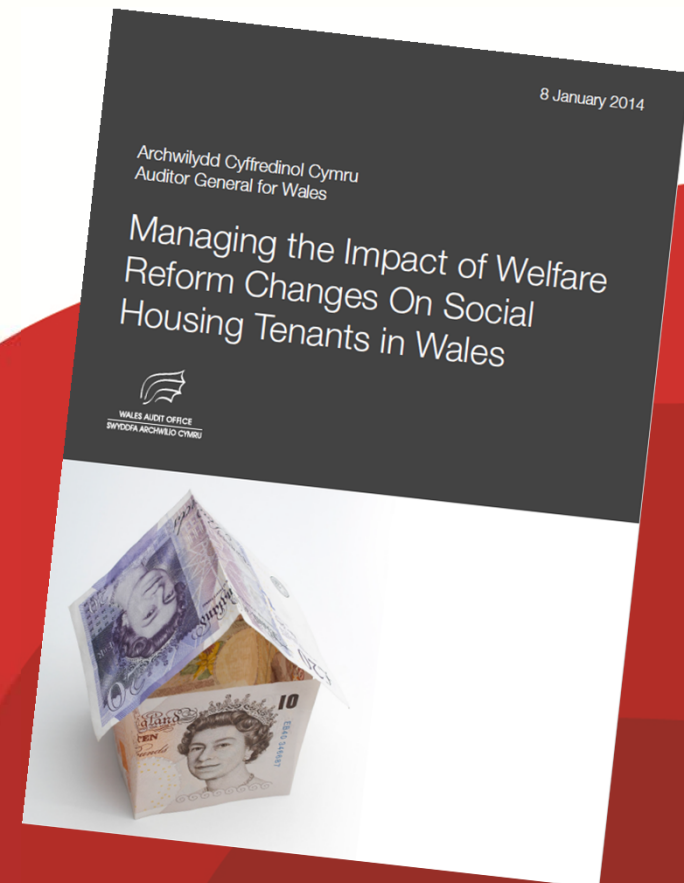


Managing the impact of Welfare Reform

Anthony Barrett,
Assistant Auditor General

Nick Selwyn,
Local Government Manager

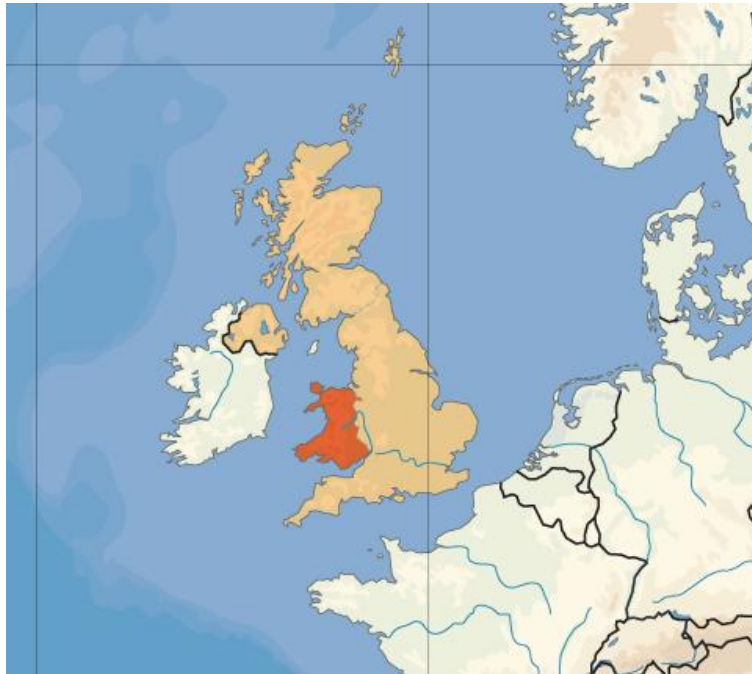


Basic facts about Wales



- Area: 20,800 km², Population: 3,074,000 (2012)
- Population Density: 148 people per km²
- Capital: Cardiff
- Currency: Pound sterling (£)
- GDP: £54.3 billion (2014), £17,600 per capita
- GDP growth: 2.4% (2014)
- Unemployment: 5.9% (of people aged 16+)
- Two official languages: English and Welsh—19% speak Welsh
- Legislature: National Assembly—certain law making powers devolved from UK Parliament
- Executive: Welsh Government—largely funded by UK Government

Wales within the UK



*From "Europe Location" map series
© David Liuzzo*

Areas of devolved functions include:

- Health
- Housing
- Education
- Economic Development
- Rural affairs (including agriculture)
- Heritage (museums, sport etc.)

Reserved functions:

- Taxation (but some devolution starting)
- Defence
- Justice

The Auditor General for Wales and the Wales Audit Office



The Auditor General for Wales is the statutory auditor of:

- Welsh Government and its sponsored bodies
- Health service bodies in Wales
- Local government bodies in Wales

Total annual value of expenditure audited >€27,000 million

The Wales Audit Office provides the resources to the Auditor General to deliver his programme of audit work: some 250 staff – financial, performance and IT auditors, and support staff

Auditor General for Wales



Legal basis for Auditor General's work:

- Duty to audit accounts (provide opinion on them)
- Powers to examine and report on economy, efficiency and effectiveness (“value for money” or “vfm”) and to make recommendations for improving vfm
- Statutory **discretion** in the way powers and duties are exercised; is not directed by government—can, for example, pursue issues raised by the public

The Welfare Reform Act 2012



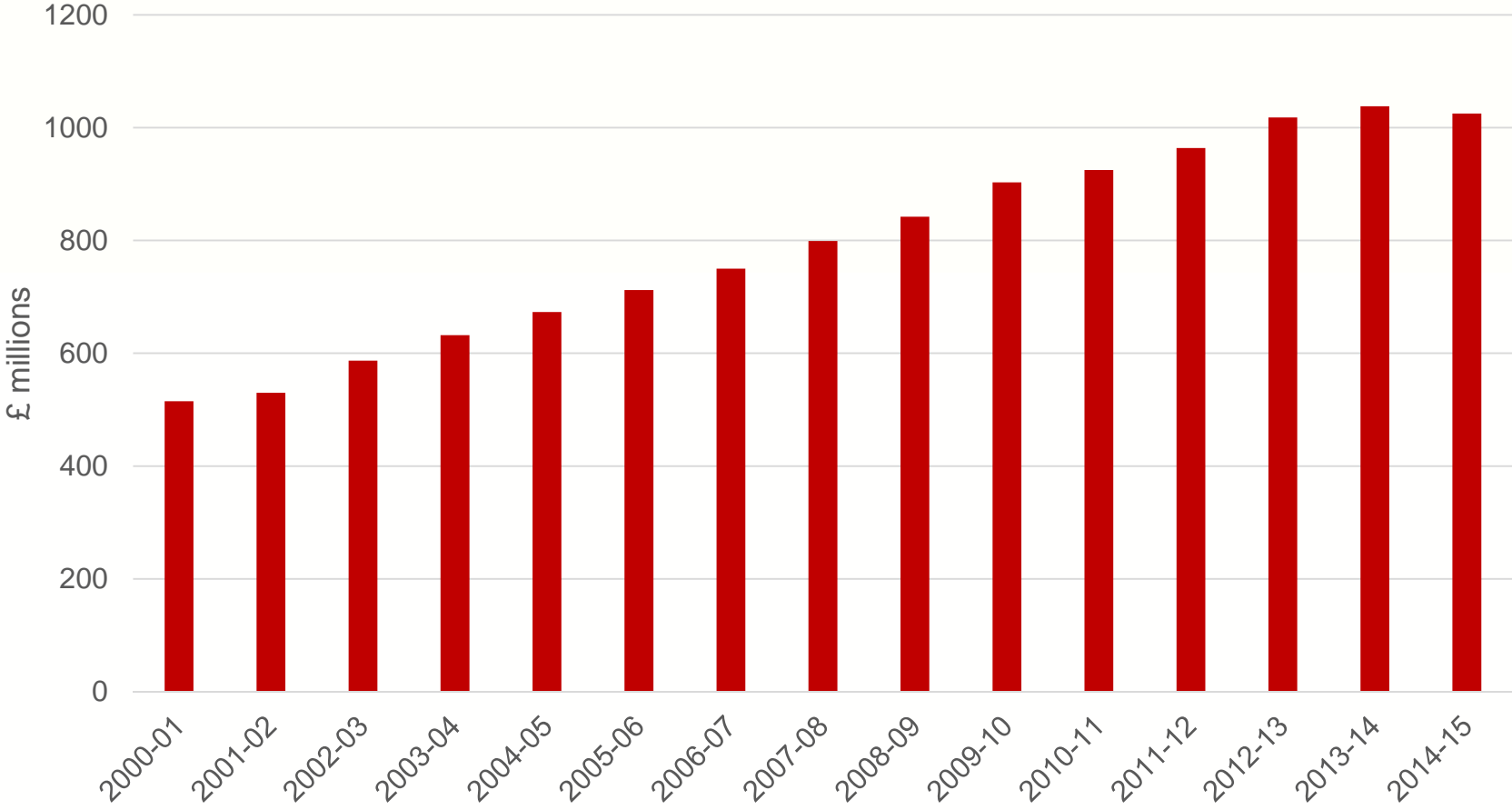
- In 2010 UK (coalition) Government prioritised major overhaul of welfare system.
 - 2009-10 around £90 billion spent on welfare benefits.
 - increased by almost 50 per cent in real terms over 10 years.
- The Welfare Reform Act 2012 replaced a number of longstanding benefits with new payments to create a system that:
 - Promotes work to make employment more attractive than benefits.
 - Helps people lift themselves out of poverty.
 - Creates/improves mobility and flexibility within social housing.
 - Place public spending on a more sustainable footing, by ensuring that the system is fair to the taxpayer and people in genuine need.

Housing Benefit



- One of the major areas of welfare expenditure is Housing Benefit:
 - Housing Benefit helps pay rent for a tenant on a low income.
 - In 2014 just over 5 million households claimed Housing Benefit in Great Britain of which 250,000 in Wales.
- To reduce expenditure, UK Government made two changes to Housing Benefit for social-housing tenants from April 2013:
 - Removal of the spare-room subsidy (commonly referred to as the “bedroom tax”):
 - Benefit Cap - capped the total amount that an out-of-work, working-age household can receive in benefits.
- Government estimated that these changes would result in £1,000 million savings in 2013-14 and 2014-15.

Housing Benefit expenditure in Wales 2000-01 to 2014-15



However.....there is also the “devolved tension”



UK Government

Has responsibility for welfare spending policies and agreeing cuts in welfare budgets and determining how much people should receive



Welsh Government

Has responsibility for many services affected by welfare reform – social and private housing, Education, Social Care, Local Government, Communities, etc.



Auditor General for Wales study on Welfare Reform



- Looked at:
 - how well key public bodies – Welsh Government, councils and housing associations – addressing welfare reform.
 - Impact of welfare reform changes on tenants.
- Audit carried out over 16 month period in 2013-14 and 2014-15:
 - collection of data from social housing landlords;
 - survey of social housing tenants affected by welfare reform;
 - audit fieldwork at a sample of councils and housing associations;
 - analysis of key performance indicators; and
 - An audit review of plans and strategies.
- Report published in January 2015.

Audit conclusions



The changes to Housing Benefit introduced by the welfare-reform programme are having a significant impact on Welsh councils and housing associations, and they are struggling to deliver effective and sustainable solutions to address the challenges they face.

1. Changes to Housing Benefit impact Wales more than other parts of Great Britain.
2. Public bodies struggling to manage impact of welfare reform.
3. Welfare reform changes were resulting in growing poverty, not reducing it.
4. Welsh Government, councils and housing associations were increasing expenditure/bearing greater losses at levels broadly equivalent to cuts in Housing Benefit.

1. The impact of changes to Housing Benefit proportionally affects more tenants in Wales than in England or Scotland

The percentage of social housing tenants claiming housing benefit across the UK



Wales 74%



Scotland 63%



England 70%



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Read our report on welfare reform at wao.gov.uk

1. The impact of changes to Housing Benefit proportionally affects more tenants in Wales than in England or Scotland

The percentage of social housing tenants claiming housing benefit affected by the Benefit Cap and/or the removal of the spare-room subsidy



Wales 20%



Scotland 19%



England 15%



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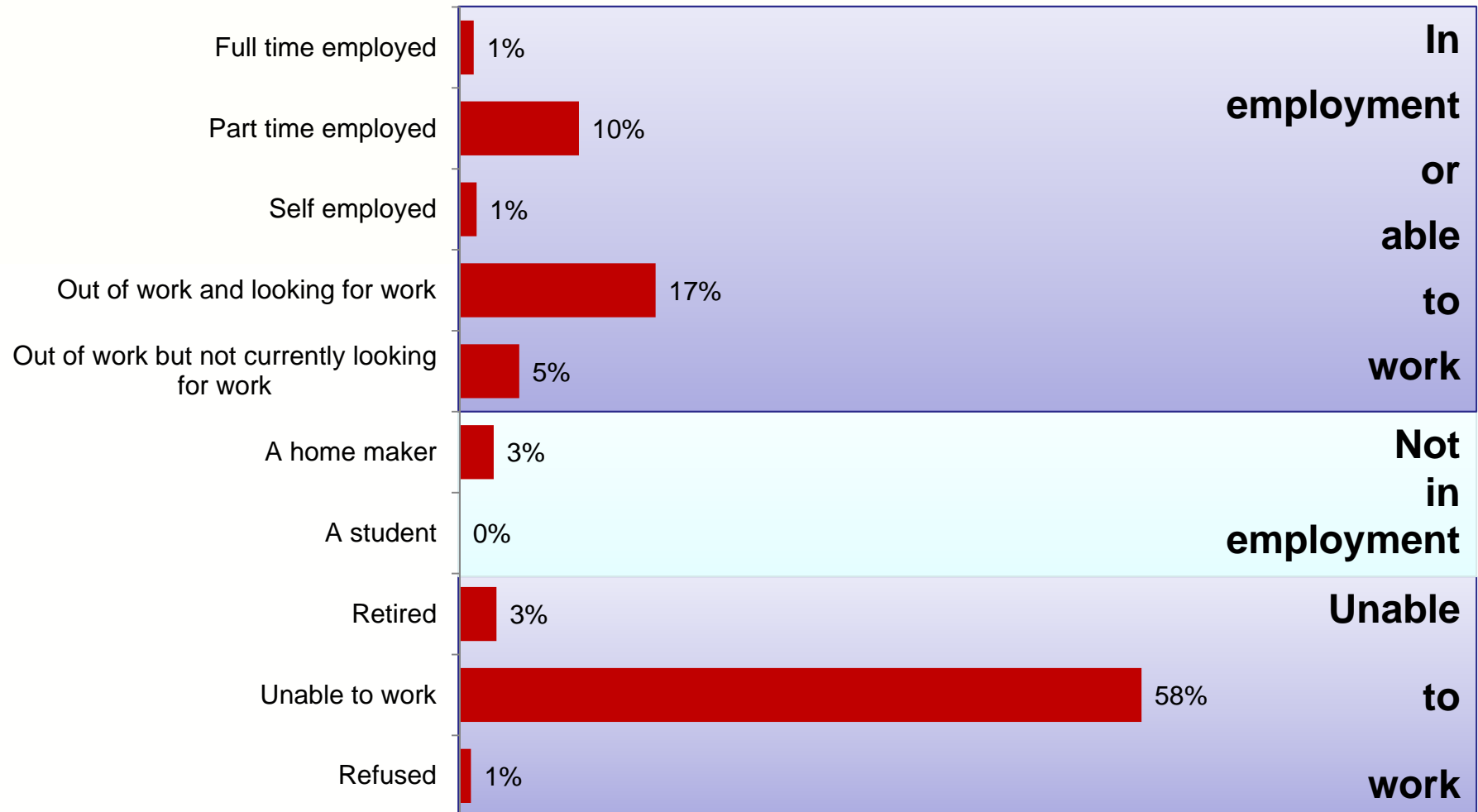
Read our report on welfare reform at wao.gov.uk

2. Public bodies struggled to manage impact of welfare reform

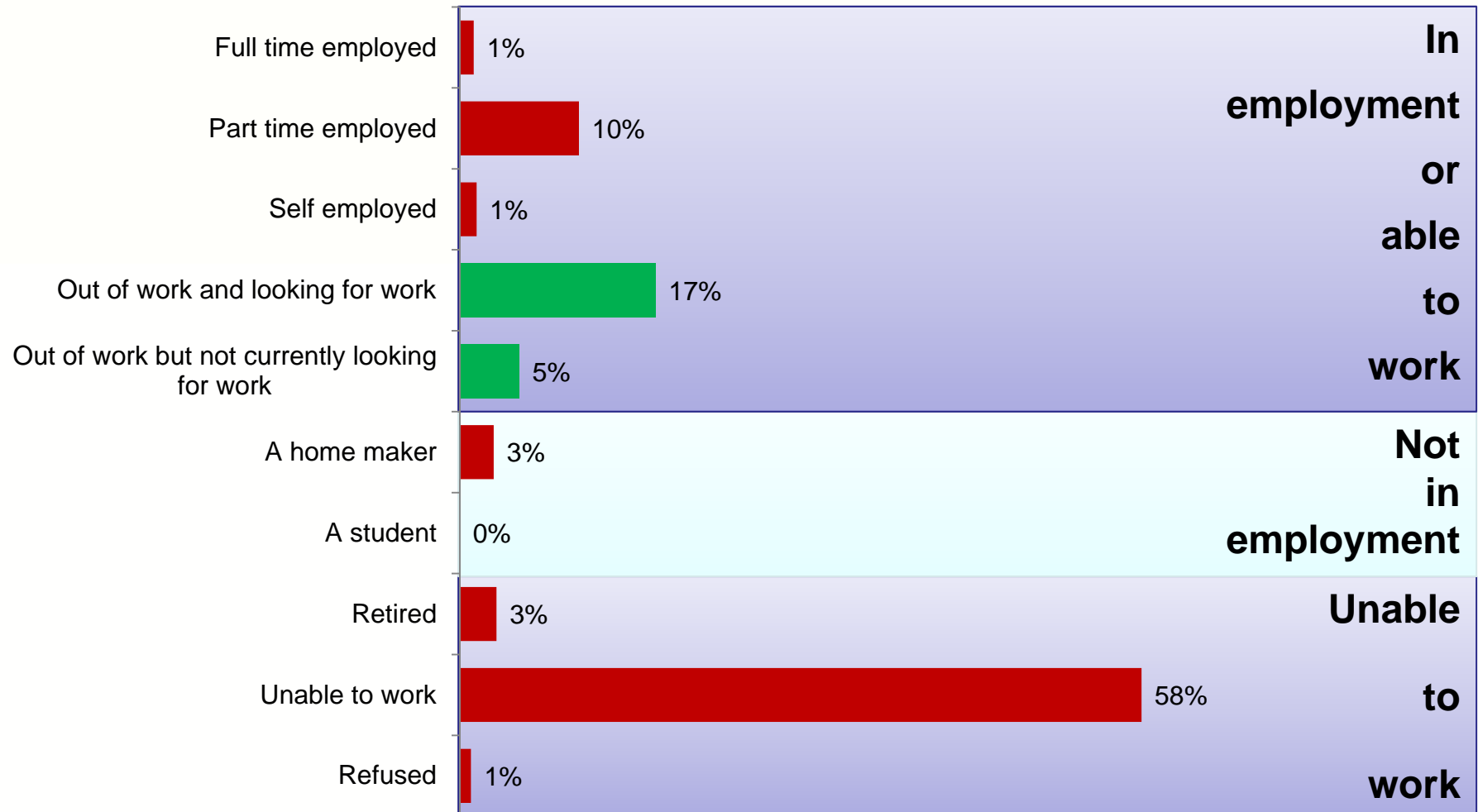
A decorative graphic consisting of several overlapping, semi-transparent red curved shapes that form a larger, rounded shape on the right side of the slide.

-
- Number of empty social housing properties increased by 74%.
 - Letting accommodation far more complicated and more expensive.
 - Only 26% of tenants affected by Spare Room Subsidy registered to move.
 - 64% of Councils and 23% of housing associations still allowed applicants to under occupy housing – increases number affected by spare room subsidy.
 - Mismatch between transfers, waiting lists and homelessness – unknown impact.
 - Little evidence of tenants moving to private rented homes.
 - No evidence of tenants taking in lodgers.

3. Welfare reform changes were resulting in growing poverty, not reducing it



3. Welfare reform changes were resulting in growing poverty, not reducing it



3. Welfare reform changes were resulting in growing poverty, not reducing it



- At the time of the review Wales had:
 - Lowest employment rate in Great Britain (68.7%).
 - Second highest unemployment rate (7%).
 - Highest inactivity rate in Great Britain (25.9%).
 - Second highest claimant count (3.5%).
- But, we found that support from landlords to enable tenants find work was poor:
 - Only 48 per cent provided their tenants with access to training schemes to increase their prospect of employment.
 - Only 40 per cent targeted unemployed tenants with access to apprenticeship schemes.
 - Only 24 per cent of encouraged and supported their tenants to participate in regional and national employment schemes.

3. Welfare reform changes were resulting in growing poverty, not reducing it



The average reduction in Housing Benefits for tenants affected by the removal of the spare-room subsidy in Wales has been £15.02 per week. This equates to a reduction of £781.04 per annum



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3. Welfare reform changes were resulting in growing poverty, not reducing it



Our tenants survey found that over half of those interviewed have seen their personal debt increase because of welfare-reform changes



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3. Welfare reform changes were resulting in growing poverty, not reducing it

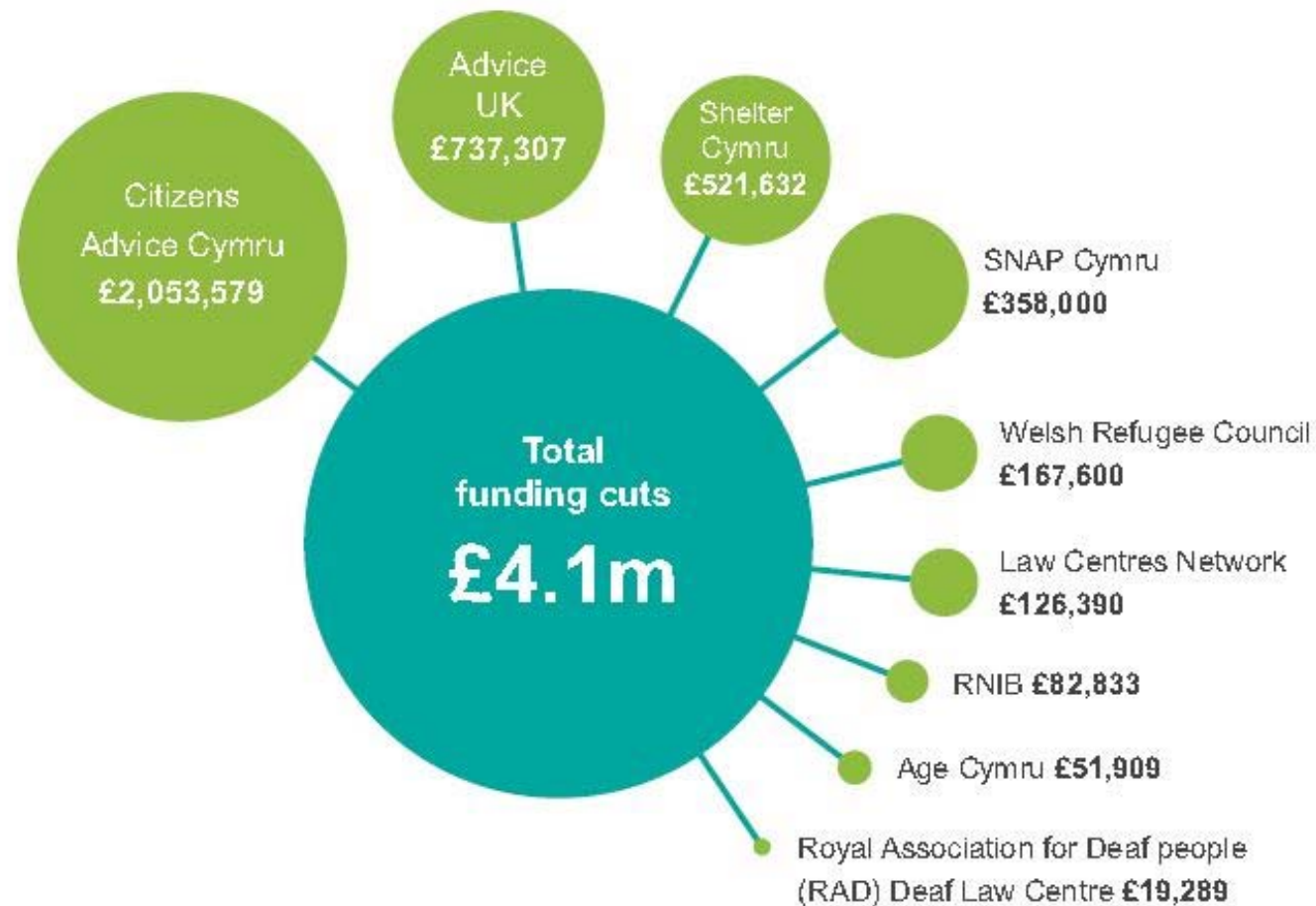
Between 2012-13 and 2013-14, there has been a 263 per cent increase in the number of people using food banks



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3. Help people lift themselves out of poverty - Cuts to Welsh advice-agency budgets between 2013-14 and 2014-15



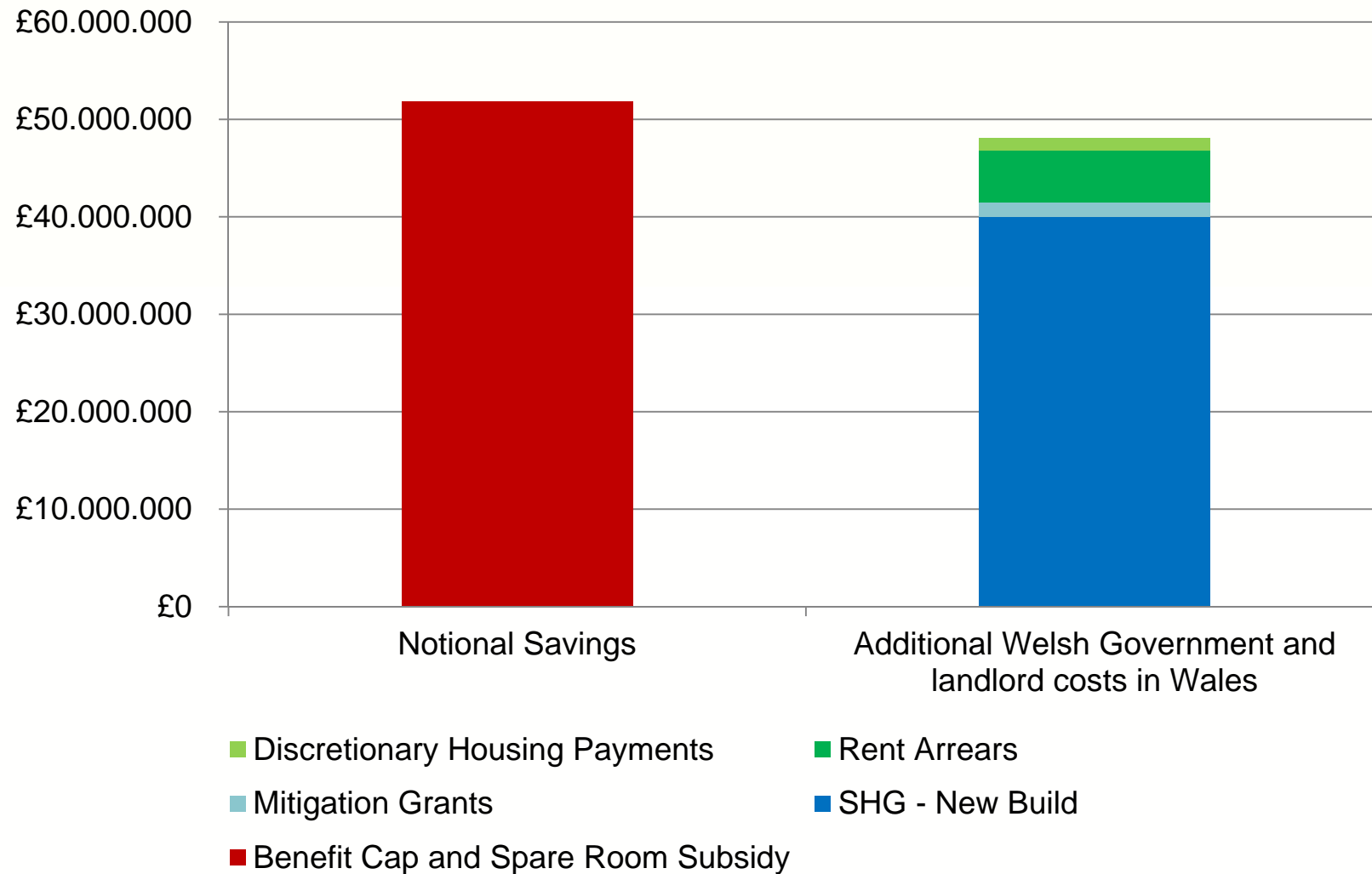
Source: Shelter Cymru, Review of cuts in voluntary sector advice service funding in 2013-14 (the data has not been subject to audit).

4. Welsh Government, councils and housing associations were increasing expenditure/bearing greater losses



- The number of council and housing association tenants with rent arrears increased in first six months of the welfare reform changes (April 2013 to September 2013):
 - Arrears of council tenants increased by 19.7% rising from £11.117 million to £13.847 million.
 - Arrears of housing associations increased by 25.8% from £17.383 million to £21.869 million.
- Welsh Government invested public monies to offset reductions in Housing Benefit:
 - Mitigation grants.
 - Resources for new social housing.
 - Discretionary Housing Payments.

4. Welfare Reform in Wales indicative “housing” costs-v-savings 2013-14 and 2014-15



Report publication and Public Accounts Committee

- Auditor General for Wales Report presented to Public Accounts Committee (PAC) on January 13th 2015.
- Report made a series of recommendations to Welsh Government, councils and housing associations.
- PAC set up Inquiry to follow up on findings of the review.
- PAC Report published July 2015.
- Made 17 recommendations to Welsh Government – not all of these were accepted by Ministers.



Further Information



Anthony Barrett - anthony.barrett@audit.wales

Nick Selwyn - nick.selwyn@audit.wales

Wales Audit Office - <http://www.audit.wales>