



1-3 Highbury Station Rd
London
N1 1SE
0207 288 4000
www.circleanglia.org

Roger Pugh
DWP Consultation Coordinator
1st Floor, Crown House
2 Ferensway
Hull HU2 8NF
By email: roger.pugh@dwp.gsi.gov.uk

28 September 2010

Dear Mr Pugh

Please find below Circle Anglia's response to the 21st Century Welfare Reform consultation.

Circle Anglia is one of the UK's leading providers of affordable housing. With a committed team of more than 2,200 staff, Circle Anglia owns and manages more than 60,000 homes, including supported and sheltered housing, for around 200,000 people across the UK.

We welcome the commitment to protecting vulnerable people whilst ensuring that working pays for everyone. In particular, we are keen to see a consistent and combined taper limit across all benefits and an increase in the earnings disregard that would ensure that claimants retain more of their earned income in the transition between benefits and full time employment.

We agree that the present system is complex and that a single, simplified point of access would be beneficial to claimants and advisors alike and that this should reduce administration costs. However, we are keen to ensure that services continue to be delivered at a local level, as housing benefit is now, with the option for claimants to see an advisor in person and to lodge and view claims electronically. Our view is that the proposals may underestimate the complexity and cost of changing the current system.

We would also like to ensure that the government is aware of the risks for housing associations of any changes to housing benefit and the way that this is paid to claimants. Many associations rely heavily on external financial investment to build and improve homes. Any changes must ensure that we do not experience a complete re-pricing of loans to the sector as investors become nervous about our financial viability.

In addition, we note with concern that the consultation paper does not address the following issues:

- Availability of suitable employment, particularly in the current climate and for the long-term unemployed
- Promoting employment opportunities that support a work/life balance and allow for term time or school hours working. Also the cost of childcare and how this will be disregarded
- Benefits that are pass-ported, such as free prescriptions and free school meals
- Transitional protection and arrangements, and in particular whether, and to what level, there will be a run on of benefit during the transition into work
- Non dependent charges if housing benefit were to be combined into a universal credit

Enhancing Life Chances

- The impact of increased rent arrears on the private rented and public housing sector, that will likely be brought about by a universal benefit system
- Self employment
- Financial exclusion and the fact that many people still do not have access to even a basic bank account
- In addition we are concerned that the impact of integrating IT systems could cause major issues to vulnerable people

We would also like clarity around the following, should benefit entitlement be based upon net earned incomes:

- How will the impact upon those who are vulnerable or disabled be assessed at an appropriate stage before implementation? These groups often struggle to claim what they are entitled to already
- Will private pension contribution disregards remain?
- How will previous under-payments of tax being collected through the PAYE system be treated when assessing net income?
- How will maintenance payments be treated? Will child benefit continue to be disregarded? We are unsure at this stage if the proposals will involve removing non means tested child benefit.

Our responses to the specific questions in the consultation are attached. If you require any further information or clarification on the points we raise, please do not hesitate to get in touch.

Yours sincerely

Clare Brine
Head of Public Affairs
0207 447 3035
Clare.brine@circleanglia.org

Consultation question responses

Q1 What steps should the Government consider to reduce the cost of the welfare system and reduce welfare dependency and poverty?

We support a local single point of access for claimants, the increasing of earnings disregards and the application of a single taper limit, which will help remove the complexities of the system. Ensuring that full disregards are given for childcare costs, and that employers offer working hours and patterns that support working parents, will support claimants into work. We would like to see income disregards to absent parents who pay maintenance.

The Government should consider investing in programmes to allow housing associations to help residents into work. As not for profit, trusted intermediaries we are able to support residents who may have been long term unemployed back into work.

Q2 What aspects of the current benefit and Tax Credit system in particular lead to the widely held view that work does not pay for benefit recipients?

Multiple and independently applied tapers that mean that, when taking into account costs such as travelling and the complexities of arranging wrap around child care, work does not pay or is too difficult to coordinate. Further, the loss of pass-ported benefits such as free school meals and prescriptions may be lost and are not accounted for.

Q3 To what extent is the complexity of the system deterring some people from moving into work?

There is a fear of indebtedness and we have evidence to show that most people in arrears became so when their work and benefit circumstances changed. The complexity of the benefit system is a deterrent to people having the confidence to contemplate changes or the will to take on short-term work and the waiting periods for re-assessment can leave claimants financially excluded for a period and ultimately in debt. Any new system should retain and possibly extend eligibility for run-on benefits to support the transition into work and also allow for the provision of binding better-off calculations.

Q4 To what extent is structural reform needed to deliver customer service improvements, drive down administration costs and cut the levels of error, overpayments and fraud?

A single point of access should reduce costs, although this should be at a local level. Shared IT systems should reduce the opportunity for fraud and error.

Q5 Has the Government identified the right set of principles to use to guide reform?

Yes – but transitional arrangements need to be defined.

Q6 Would an approach along the lines of the models set out in chapter 3 improve work incentives and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider?

The taper limit of 75% remains high. Retaining £2.50 per £10.00 of net earnings may not cover in work costs, unless there is also an earnings disregard applied. For example, on the assumption that a minimum wage earner was not liable for Tax or NI, two hours work would result in a net increase in income of £2.90 pw, based on a 75% taper. As suggested previously, matters such as childcare costs, maintenance payments and private pension contributions need to be considered within the review. We are also unclear how housing costs (rent, council tax and mortgage) would be assessed if a universal credit were introduced and are concerned that arrears would increase as a result of housing related payments being of a

flat rate and paid direct to claimants. Would these be notional amounts or based on actuals and would they be sector/area specific or sector/area neutral? However, a single benefit withdrawal rate would be welcomed, providing disregards/tapers did not act as a disincentive to work.

We consider that the Single Working Age Benefit proposal would penalise those that have contributed to the welfare system but find themselves short-term unemployed. This appears to be against the spirit of the reforms. We do not support a single entitlement that fails to take into account how a person's disability may affect the cost of a minimum standard of living, but we accept that some disabilities may not necessarily increase costs.

We are concerned that the Mirelees model does not take disability into account and will likely remove child benefit eligibility from a substantial number of households. We feel that this system may be complex and difficult for claimants to understand.

We feel strongly that there should be an earnings disregard and do not, therefore support the Negative Income Tax Model. However, we feel that further modelling and detail is required for us to assess fully the impact and recommendations we would make around this issue.

Q7 Do you think we should increase the obligations on benefit claimants who can work to take the steps necessary to seek and enter work?

We agree that those who can work should be obliged to do so, or to enter training but on the assumption that suitable training and work opportunities are available. We do not agree to total withdrawal of benefit and assume that support and protection would be available to the most vulnerable.

Q8 Do you think that we should have a system of conditionality which aims to maximise the amount of work a person does, consistent with their personal circumstances?

Yes – but subject to childcare availability/cost and working patterns being able to support parents of school age children.

Q9 If you agree that there should be greater localism what local flexibility would be required to deliver this?

We would not want the benefit system to be a “post-code lottery”, but instead support a national system that takes into account localised housing costs. We are also concerned that a localised system may stymie mobility.

Q10 The Government is committed to delivering more affordable homes. How could reform best be implemented to ensure providers can continue to deliver the new homes we need and maintain existing homes?

Housing Associations rely on rents to continue to provide homes and services. We have concerns that the payment of a universal credit would lead to increased arrears. Our concern is two-fold. Firstly, we are unsure whether benefit would be based on actual housing costs or a notional cost and, secondly, that claimants would not pass on the rent element of their benefit to their landlord, as was evident in pilots of the LHA in the social housing sector. Increasing arrears would adversely affect housing associations financial viability and their ability to develop affordable housing and secure funding.

We believe that more differentiation around rents is required which would help increase mobility and encourage better use of existing homes. Although this may have an impact on

housing benefit in the short term, with a lack of grant funding available to build new homes, we need to do more to make use of current stock.

We also believe that the government's commitment to increasing the mobility of social housing tenants is key. Under the current system a transfer for work is almost impossible and the cost of this immobility to the public purse is huge. This was backed up in recent research we commissioned from the think tank, Human City. They estimated a cost of £48 million based on tenants wanting to move into employment, but unable to do so. Factors include the ongoing costs of welfare payments and the lost tax revenues. Further details of this research can be found at www.circleanglia.org.

Q11 What about be the best way to organise delivery of a reformed system to achieve improvements in outcomes, customer service and efficiency?

We believe that proposals to increase the obligations of employers would increase businesses' administration costs. We would like any new system to be piloted or run in tandem with existing arrangements and for transitional protection to be applied. We would like to see a single point of access, providing this is delivered locally and is accessible and we would welcome online access/claims. We support a combined IT system that would help to address fraudulent and erroneous payments.