

# Welfare Reform 2011 assessment of impacts

Following introduction to the House of Lords on 16 June 2011

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# Approach to impact assessments

1. In March 2011 the initial impact assessment for the 2011 Welfare Reform Bill was published. Individual impact assessments for the principle proposals contained in the Bill were completed. Individual impact assessments provide the most robust and accurate assessment possible for the policy changes proposed in the Bill. In line with the impact assessment guidance, the impact assessments have been updated to account for changes to date during the passage of the Bill.
2. In order to ensure continuity of information through the Bill process, we have only made updates where there have been substantial policy announcements relating to the measure<sup>1</sup>.
3. The proposals in the Bill impact on a wide variety of groups in different ways. A single overall cumulative Impact Assessment has not been produced.
4. The scale of policy change provided for by the Welfare Reform Bill is significant, and is planned to take place over an extended period, beginning in 2011-12 with changes to lone parent obligations, and ending in 2017-18 with the completion of the transition to Universal Credit. Therefore the impacts build-up over a substantial period of time, and at a different rate for the various measures. To provide a single summary accurately taking account of the different timings would be analytically complex and extremely challenging. To simplify would risk providing a set of misleading impacts.
5. Moreover the changes to social security benefits and tax credits contained in the Bill take place in a wider context of fiscal change. The impact assessments therefore do not account for wider changes that would impact on households over the period, for example, the aim to increase income tax personal allowances to £10,000.
6. Collectively these factors substantially limit the extent to which a cumulative impact assessment would provide an accurate analysis of the impacts of the Bill as a whole. Moreover, an amalgamated assessment is likely to obscure the impacts of individual policies rather than aid the

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<sup>1</sup> In a few other cases we have made minor cosmetic changes or very minor changes to the costings.

understanding of those considering the Welfare Reform Bill in Parliament and the wider public.

# Background to measures

7. The proposals set out in the Welfare Reform Bill 2011 contain an ambitious and far-reaching program of reform which will radically change the structure of the social security system by:

- introducing Universal Credit to simplify the system of support for people of working age with the aim of ensuring that work always pays;
- making changes which will ensure that claimants understand the requirements they need to meet in return for receiving benefits;
- introducing a series of reforms which will ensure that benefits such as Employment Support Allowance and Housing Benefit are more clearly targeted on those who need them most, and that no household can receive more in benefits than the average after tax earnings of working households;
- replacing Disability Living Allowance with a new benefit (Personal Independence Payment) to support disabled people who face the greatest barriers to leading full and independent lives;
- reforming child maintenance to make it easier for parents to make more flexible private maintenance arrangements;
- implementing new sanctions and punishments for fraudulent claims;
- localising aspects of the social fund in line with the move to greater local accountability; and
- implementing a number of other measures.

8. Further details of the measures contained in the Bill are available in the Bill Explanatory Notes.

## Universal Credit

9. In July 2010 the Government published the consultation document “21<sup>st</sup> Century Welfare”<sup>2</sup>. This set out a series of options for reforming the working age benefit system to ensure that work pays.
10. After receiving over 1,600 consultation response the Government published the White Paper “Universal Credit: welfare that works”<sup>3</sup>. The White Paper set out a proposal for a Universal Credit which will remove the financial and administrative barriers to work. The key features of Universal Credit as set out in the White Paper are a:
- unified system of support for in-work and out-of-work claimants, in place of the existing system of income-related working-age benefits and tax credits<sup>4</sup>;
  - conditionality regime which will be more clearly tailored to the circumstances of the individual;
  - new system of sanctions which will provide greater incentive for customers to meet their responsibilities to seek work; and
  - unified delivery agency which will remove the current complex system of interactions between DWP, local authorities and HMRC.
11. A number of the changes to the conditionality and sanctions systems will be introduced for ESA, JSA and IS claimants before the Universal Credit provisions come into effect.
12. When Universal Credit is introduced, cases on the existing benefits and tax credits will be moved over through a process of natural and managed transition. The Bill contains clauses to create the legislative framework for Universal Credit, including allowing for transitional protection arrangements and the abolition of the benefits replaced. The Bill also includes reforms to Employment Support Allowance and Jobseeker’s Allowance, which will continue as contributory benefits after the Universal Credit provisions come into force.

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<sup>2</sup> <http://www.dwp.gov.uk/consultations/2010/21st-century-welfare/>

<sup>3</sup> <http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

<sup>4</sup> The income-based components of Jobseeker’s Allowance and Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit, Working Tax Credit, and Pension Credit for working-age couples with a pensioner partner.

## June 2010 Budget and Spending Review

13. On 22 June 2010 the Government delivered the Emergency Budget which contained its initial response to the challenges posed by the projected fiscal deficit. On 20 October, building on the work of the Budget, the Government presented its Spending Review which set Departmental allocations up to 2014-15. The Emergency Budget and Spending Review announced a series of changes to the benefit system which will be introduced in the Welfare Reform Bill. The measures cover a wide range of DWP activity and will rationalise the benefit system and ensure that it is more clearly targeted on people who need it most by:

- introducing a benefit cap for working-age people to ensure that claimants do not receive more in benefits than the average earnings of working households;
- reforming support for housing costs; and
- time-limiting of contributory Employment Support Allowance.

## Fraud strategy

14. On 18 October 2010 HMRC and DWP published a joint strategy which set out a radical new approach for tackling fraud and error. Building on the simplification of the benefit and tax credit system through Universal Credit, the strategy will introduce two key anti-fraud measures in the Welfare Reform Bill:

- a single fraud investigation service with statutory powers to investigate and sanction all benefit and tax credit offences; and
- strengthened sanctions for claimants found guilty of fraud to provide sufficient deterrence for fraudulent activity, and the introduction of a civil penalty for those individuals who fail to take reasonable care of their claim.

## Disability Living Allowance reform

15. A public consultation on Disability Living Allowance reform ran from 6 December 2010 to 18 February 2011. It proposed replacing Disability Living Allowance with a new benefit (Personal Independence Payment) to support disabled people who face the greatest barriers, and are therefore likely to experience higher costs, to leading full and independent lives. The new benefit is planned to be introduced for new claimants aged 16-64 from 2013-14. Existing working age (16-64) recipients will also begin to be reassessed from 2013.

16. The Government published its response to the consultation on 4 April 2011. We received more than 5,500 responses to the consultation which are being used to inform secondary legislation on the detailed design of the policy, including the new assessment process.
17. An initial draft of the assessment criteria was published on 9 May along with a briefing note explaining the development of the criteria. Disabled people and their organisations were invited to submit comments on this draft throughout the summer. In parallel to the consultation, the Department tested the draft criteria on around 900 existing Disability Living Allowance claimants in order to understand the criteria's reliability, validity and impact.
18. The new benefit will help to ensure that expenditure on Disability Living Allowance is sustainable in the long term and focused on those most in need of additional support. A more objective assessment will improve consistency in decisions and through regular reviews ensure that awards remain correct.

## Child Maintenance Consultation

19. On the 11 January 2011, the Government published the consultation document 'Strengthening families, promoting parental responsibility: the future of child maintenance'. This Green Paper, and the formal Government response to the consultation exercise published on 12 July, outline a radical re-shape of the statutory child maintenance system to better support families going through separation, recognising the range and complexity of the issues that parents face during this difficult time. They describe the Government's proposals for the re-shaping of services that is necessary to deliver better outcomes for families, where the state's involvement through the statutory child maintenance system should be focused on those parents who are not able to come to their own arrangement.
20. The Green Paper announced three policies that are integral to achieving the Government's vision for which powers are being taken in the Welfare Reform Bill. Therefore these policies are not being consulted on:
  - introducing a power to allow a requirement to be placed on applicants to engage with a gateway before making an application for a statutory child maintenance case;
  - allowing the Government to provide an indicative child maintenance calculation to parents for information purposes only;
  - where there is a statutory child maintenance case a non-resident parent could unilaterally choose not to use the full collection service

and pay the child maintenance direct to the other parent (“Maintenance Direct”).

## Other measures

21. The Bill will also introduce a series of measures designed to simplify the delivery of benefits and to ensure more efficient and effective administration:

- enabling DWP to implement measures to recover debt resulting from fraud and overpayments;
- data sharing powers between DWP and local authorities to enable more accurate and efficient identification of care needs and Housing Benefit entitlement;
- localisation of aspects of the Social Fund;
- change to the Appeals Service to ensure that there is a proportionate resolution process within DWP;
- making it a condition of entitlement for certain contributory benefits, Maternity Allowance and statutory payments, that claimants have an entitlement to work in the UK;
- simplification of Industrial Injuries benefits;
- enabling Registrars to share birth data with DWP.

***I have read the impact assessments for these proposals and I am satisfied that (a) they represent a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.***

Signed by the responsible:

A handwritten signature in black ink, appearing to read 'Jewel', followed by a period.