Welfare Reform

This paper is considered exempt from proactive publication under s35 (1)(a) of the Freedom of Information Act, 2000

Summary

1. The paper provides an update on the implications of the UK Government’s Welfare Reform programme including: DWP policies; legislative timeline; Welsh Government actions to mitigate some of the negative implications; and a progress update on Stage 2 of the Welsh Government’s analysis of the impacts of the reforms in Wales.

The Cabinet is invited to:

a. Note the latest position on the implications of the welfare reforms and the Welsh Government response; and

b. Note the progress update on Stage 2 of the Welsh Government’s programme of research to analyse the impacts of the welfare reforms in Wales (Annex 1).

Issue

2. At its meeting on 7 February 2012, the Cabinet considered a paper, CAB (11-12)65 on the welfare reform agenda and its implications for Welsh Government policies and services. It also outlined the early work by the Welsh Government to tackle the challenges presented by these changes. In addition, the findings from Stage 1 of the Welsh Government’s programme of research to analyse the impacts of the welfare reforms in Wales were presented. A Cabinet paper was requested for June 2012 providing a further update.

3. Welfare Reform presents a broad range of challenges for the Welsh Government and a variety of responses will be required. In some areas, for example Council Tax Benefit, the Welsh Government will take policy decisions in direct response to UK decisions. In other areas such as the Housing Benefit changes, the Welsh Government might need to take action to address the consequential impacts e.g. helping to mitigate a potential increase in homelessness.

Introduction of Universal Credit (UC)

4. UC is an integrated working age benefit that will provide a basic allowance with additional elements for children, disability, housing and caring. It is a tapered benefit that will support people both in and out of work and is intended to make work pay and be seen to pay. UC will replace many of the means tested welfare benefits.

Delivery
5. The scale, scope and pace of the project have raised concerns that the knowledge base for the project does not take full account of devolution. This could, for example, have implications for benefit entitlement. Whilst these concerns may prove to be unfounded, they have been raised with DWP. DWP has committed to running devolution workshops to ensure that the relevant connections have been made.

6. Universal Credit will be delivered from Universal Credit Service Centres selected from the current HMRC/Job Centre Plus sites. This process is likely to have workforce implications for Wales. DWP has confirmed that there will not be an opportunity for current Local Authority Housing Benefit staff to transfer to the new Universal Credit Service Centres; however, they do envisage that Local Authorities will continue to have a role in the face-to-face customer service. The detail of this is still to be determined and will be informed by a number of Local Authority Demonstration projects.

7. Phase one sites (those commencing October 2013) have been announced and will include sites in Bangor and Wrexham. Further sites will be announced in due course for the subsequent phases. In advance of Phase One implementation, DWP will be running a Pathfinder for UC in Greater Manchester and Chester. DWP is yet to confirm the detailed migration plans of current legacy benefit claims to the UC.

8. Welsh Ministers and Welsh Government officials have pursued, and will continue to pursue, concerns about lack of detailed DWP information in a number of areas including: data; policy; design; and budget. There is no suggestion that information is being deliberately withheld but rather, in many cases, the information does not exist. DWP itself recognises the lack of detail in some areas and attributes this, at least in part, to the UC being developed in line with agile project principles i.e. the project is completed in small sections or iterations and each iteration is reviewed by the project team and insights gained are used to determine the next steps.

**Engagement with Local Authorities in Wales**

9. DWP will be engaging with Welsh Local Authorities on the implementation and delivery of Universal Credit largely through the Welsh Local Government Association (WLGA).

10. WLGA has published a prospectus inviting Local Authorities in Wales to submit bids for demonstration projects that will test the future face-to-face support for Universal Credit post 2013. However, the DWP currently plan that the primary outlet for face-to-face services in 2013 will be through Jobcentre Plus which will continue to deliver ‘legacy’ benefits.

11. Welsh Government officials are in discussion with DWP about developing a structure for engagement that will have a particular focus on those implementation and delivery matters that fall between devolved and non-devolved areas in relation to welfare reform.

**Passported Benefits**
12. The introduction of the Welfare Reform Act, particularly Universal Credit, will have significant implications for Welsh Government passported benefits and services, such as free school meals, which use or base their eligibility on the current DWP means tested benefits.

13. The complexity of this process and the scale of the implications pose a significant challenge to all Passported Benefits. Although there are some similarities, challenges and issues for the different Passported Benefits can vary considerably.

14. The following Welsh Government benefits have been identified as impacted by the introduction of Universal Credit and Personal Independence Payments:

<table>
<thead>
<tr>
<th>Benefit Identified</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Free School Meals</td>
<td>DfES</td>
</tr>
<tr>
<td>2 School Uniform Grants</td>
<td>DfES</td>
</tr>
<tr>
<td>3 Remission of charges for board and lodging on school residential trips</td>
<td>DfES</td>
</tr>
<tr>
<td>4 Higher Education Student Support</td>
<td>DfES</td>
</tr>
<tr>
<td>5 Healthy Start</td>
<td>DHSSC</td>
</tr>
<tr>
<td>6 Low Income Scheme - NHS dental treatment</td>
<td>DHSSC</td>
</tr>
<tr>
<td>7 Low Income Scheme – Eye care</td>
<td>DHSSC</td>
</tr>
<tr>
<td>8 Low Income Scheme – Travel Costs</td>
<td>DHSSC</td>
</tr>
<tr>
<td>9 NEST Scheme</td>
<td>SF</td>
</tr>
<tr>
<td>10 Blue Badge Scheme</td>
<td>LGC</td>
</tr>
</tbody>
</table>

Data Requirements

15. There are continued data requirements from DWP for the development of Passported Benefits. DWP can only provide top level analysis in Wales for UC due to a relatively small sample size. Therefore, they have been unable to provide us with the detailed data that we require at a Wales level to assist with modelling options for Passported Benefits following the introduction of UC.

16. The lack of DWP data is making it increasingly challenging to design and modify changes to the eligibility criteria for Welsh Government Passported benefits and model the implications of policy decisions within the required timeframe.

Impact of the UC Pathfinder on Passporting

17. Once awarded, UC will remain in payment if a customer moves location. This means that potentially, Wales could see UC claimants from April 2013- although DWP assure us the number is likely to be very small. Eligibility for means-tested passported benefits will need to take account of the current system of welfare benefits alongside the new UC systems until the full migration of claims in Wales is completed, which could be as late as October 2017.

Legislative Timeframe

18. The following provides an outline legislative timetable to meet the UC Pathfinder implementation in April 2013:
19. This timeframe is exceptionally tight; however not all policies will require consultation and the consultation dates could vary.

Introduction of Household Benefit Cap

20. From April 2013 the Government will introduce a cap on the total amount of benefit that working-age people can receive so that households on out-of-work benefits will no longer receive more in benefit than the average weekly wage earned by working households.

21. DWP’s working assumption is that the Household Benefit Cap will be £500 per week for couples and lone parents; £350 per week for single adults.

Exemptions

22. Claimants who have been in employment for 52 weeks or more when they claim benefit, and lose their jobs through no fault of their own, will be exempt from the cap for up to 39 weeks.

23. The following households will also be exempt from the cap:

- Those entitled to Working Tax Credit.
- Those in receipt of:
Disability Living Allowance
- Personal Independence Payment
- The support component of ESA
- Attendance Allowance
- Constant Attendance Allowance
- War Widows and Widowers pension

Impact assessment

24. DWP estimate that fewer than 3% of the affected households will be in Wales - just under 2,000, with a quarter of these expected to be in Cardiff. In Wales, approximately 3,000 adults and 7,000 children are expected to be affected.

Ongoing Issues

25. DWP has not yet made a decision on responsibility for handling claimant appeals and complaints regarding the benefit cap. However, it would be viewed as an additional burden should local authorities be asked to administer this aspect.

26. There are many IT issues to overcome in implementing the Benefit Cap and operational concerns for Local Authorities as Jobcentre Plus will be issuing the notification letters on the cap but Local Authorities will be expected to respond to the queries.

27. Letters to those predicted to be affected by the cap based on current benefit rates have been issued by Job Centre Plus. This is likely to result in increased pressure on Local Authority Housing Benefit units and advisory services.

Replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIP)

28. Fewer people will be eligible for PIP than are eligible for DLA and this may increase demand on Local Authority Social Services. UK Government has not committed to provide any additional funding to Wales to meet the needs of those whose DLA is withdrawn.

Response to Consultations

29. The Deputy Minister for Children and Social Services has raised these concerns directly with DWP Ministers and through responses to the UK Government’s consultations on DLA reform. These consultations covered the high level structure of the benefit (December 2010), the detailed assessment criteria (January – April 2012), and the detailed benefit rules underpinning PIP (closing on 30 June). The Ministerial Task and Finish Group has considered the issues raised by the latter two consultations at their most recent meetings and the Deputy Minister has responded / will respond on behalf of the Welsh Government. The issues are also being discussed at the Stakeholder Engagement Events. The Deputy Minister raised these issues with Maria Miller MP, Minister for Disabled People, at a Video Conference meeting on 24 May.
Abolition of Council Tax Benefit (CTB) with responsibility passing to the devolved administrations

30. The UK Government is localising the responsibility for assisting people with their council tax. They are also cutting Council Tax Benefit funding by 10% and transferring it from Annually Managed Expenditure (AME) to a Departmental Expenditure Limit (DEL). Almost 1 in 4 households in Wales received Council Tax Benefit in 2010-11 and without any replacement arrangements many would suffer severe hardship.

Funding Issues

31. While a 10% reduction in funding was announced in the Comprehensive Spending Review, the most recent figures for the funding transfer represent a cut of at least 13%. DWP has provided no indication of the level of funding that will be provided to administer a new scheme.

32. Estimates from local authorities in Wales indicate that the cost of the scheme in 2012-13 will be considerably higher than the forecasts given in the Autumn Statement, suggesting that the demand for support in Wales has been underestimated. Demand for council tax support is also likely to rise in future years due to increases in pensioner numbers, unemployment rises and the impact of the wider welfare reforms.

33. It is still not clear whether any assistance will be provided by the UK Government to meet the new burdens that introducing this scheme will place on the Welsh Government and local authorities in Wales.

Progress

34. Detailed discussions are ongoing with DWP and HMT to agree the level of funding transfer, including provision for administration and transition costs.

35. A consultation on policy and delivery issues to inform the development of a new scheme was issued at the beginning of February for an 8 week period.

36. Independent research has been undertaken to identify the potential implications of any reduction in funding and changes to the current scheme. This will be published at the end of June.

37. A Steering Group made up of selected representatives and subject matter experts from local government and Welsh Government officials, has been established to drive the design and delivery of a new scheme to provide support for Council Tax in Wales.

38. An options paper on the detailed design and operational considerations for a new scheme to provide support for Council Tax in Wales is being prepared for Cabinet on 26th June.

Abolition of Social Fund Community Care Grants and Crisis Loans
39. Funding will transfer from the DWP to local authorities in England and Devolved Administrations in Scotland and Wales.

Impact and Funding

40. Latest figures show 93,680 people access these elements of the Social Fund in Wales. Not putting successor arrangements in place will impact significantly on this group who have nowhere else to access affordable emergency grants or loans on this scale.

41. Wales currently receives 6% which equates to £12.2m of the total spend of these funds. The initial indication from DWP was that the level of funding which would be transferred to Wales in 2013 would be around £9.8 million, £8.5 million for community care grants and £1.37m crisis loans – significantly below current levels. We expect DWP to provide written confirmation this month of the budget for the Social Fund and associated new burdens that will be transferred to the Welsh Government.

Consultation response

42. The Welsh Government consultation on options for a successor fund to replace the Social Fund in Wales closed on 30 March 2012. There were 46 responses which are currently being analysed. In addition to the consultation responses, the views expressed by stakeholders at the two external consultation events held in February will be considered.

43. A clear message from the consultation was the need for the Social Fund in Wales to have strong links with financial capability, money advice, income maximisation and affordable credit. This will ensure that the underlying problems faced by those on low incomes are addressed at the point of application, with relevant signposting to support to maximise income and organise finances better to help avoid repeat claims.

44. An options paper is now being developed which will take into account the views of our stakeholders, with the aim of ensuring a solution fit for Wales nationally and locally, including building on existing services and infrastructure.

New Shared Accommodation Rate

45. In the private rented sector, single claimants of Housing Benefit without children and aged under 25 are only entitled to the Shared Accommodation Rate. In January 2012, this age threshold was raised to 35.

46. There have been some major reductions in local housing allowance rates as a consequence of the changes. The largest being in Cardiff, which has seen a 49.48% reduction.

Restricting the annual increase in expenditure on Housing Benefit to a maximum of the Consumer Price Index
47. The local housing allowance rates have been frozen from April 2012 and will be up-rated annually commencing in April 2013. The revised local housing allowance rate will be the lower of:

- April 2012 local housing allowance rate + Consumer Prices Index (September 2012); or,
- Rent officer determination based upon the 30th percentile.

48. The Department for Work and Pensions impact assessment has been revised. Originally it stated that 100% of all housing benefit recipients would be worse off by £5.50 per week (48,710 in Wales in March 2010). This has been amended to 100% worse off by £6.00 per week on average. This is in addition to April 2011 losses of £9.00 per week, on average.

**Housing Benefit - over-accommodation rules for RSL tenants**

49. Under occupancy in the social rented sector (bedroom tax) is causing consternation. The proposal is that working age tenants who under occupy their homes will be subject to a reduction in their benefit payments from April 2013 at the rate of:

- 14% for one bedroom; and,
- 25% for two or more bedrooms

50. Currently, many landlords are undertaking stock surveys to measure the potential impacts that this change will have on their businesses. There is anecdotal information that some landlords are looking at ways to circumvent this by reclassifying the number of bedrooms in their properties.

51. A recent judgment by the Court of Appeal unanimously held that the size criteria discriminated unlawfully against three appellants on grounds of disability, by not including provision to meet their need for an additional room. This was in breach of Article 14 of the European convention on Human Rights (non-discrimination). DWP are presently considering a response to the Court of Appeal judgment, which will effectively mean either seeking permission to appeal the decision to the Supreme Court, or amending the Regulations in response to the judgment. As the under-occupancy rules in the social rented sector are set to mirror those in the private rented sector this judgement may impact on UK Government policy in this area.

**Advisory Services Review**

52. The Minister for Local Government and Communities and the Minister for Finance and Leader of the House agreed to carry out a review of advice services because of the funding challenges these services face. It is also timely to review advice services to align them with the Welsh Government’s priorities and to consider how they can better support the tackling poverty agenda. A priority for the review is to determine how best to mitigate the impact of cuts in advice services budgets just when, as a result of economic climate, demand for these services is increasing.
This demand will increase further when the impacts of the Welfare Reform agenda start to hit.

53. The aim of the review will be to secure a more co-ordinated, citizen-focused advice service in Wales which supports the wide range of problems faced by individuals and will be better able to respond to the changing welfare reform landscape.

**Proposals to close the Independent Living Fund (ILF)**

**UK Consultation**

54. The fund supports 1,922 severely disabled people in Wales. This fund was closed to new applicants in June 2010.

55. The UK Government has committed to fully protecting care packages of existing users until 2015, but it does not believe that the continued operation of the ILF as a legacy fund beyond that date would be sustainable or desirable. Its preferred option for the future support of existing ILF users is that the funding is devolved to local government in England and to the devolved administrations in Scotland and Wales from 2015. In England, existing users would have their care and support needs met through mechanisms such as personal budgets and direct payments. It will be for the Governments of Scotland, Wales and Northern Ireland to determine their individual policy responses following closure of the Fund in 2015.

56. The DWP consultation on the ILF is expected by the end of June, following publication of the UK Government’s proposals for the future of the care and support system. This will seek views on how existing users of the ILF across the UK should have their care and support needs met from 2015.

**Anticipated Impact**

57. ILF awards are discretionary and are meant to be over and above provision by social services. This raises the question of who will meet those ‘discretionary’ needs once the Fund has closed.

58. There are also concerns about the support needs of those who would have been eligible for additional support from ILF, but who have been unable to access this following the closure of the Fund to new applicants two years ago. This again raises the question of who is expected to meet their high support needs now that they can no longer access the ILF.

59. The fund currently pays out £35 million a year in Wales. If the Fund closes we will need to agree with DWP how this money is transferred (including administration costs, inflationary uplifts, and provision for new users.)

**Engagement**

60. Welsh Ministers have not yet been formally asked to make any decision about the future of the ILF.
61. Officials had an open and constructive meeting on 2 May with the lead DWP official and with James Sanderson, Chief Executive of the ILF. DWP have offered to share with us the consultation responses from Wales, and to hold two consultation meetings here. They were not, however, able to clarify future funding arrangements.

**Child Maintenance Reform**

62. Consultation on charging for the use of the child maintenance system is expected to be launched during the summer. The DWP is also leading on a coordinated family support service for separating and separated parents through a £20m investment. The service will be delivered through:

- A web service to provide on-line material and signposting to specialist websites and local support services;
- Helpline support for separating parents who need information and contact details for specialist and local services;
- Coordinated local services to offer help and support.

**Estimated Impact**

63. Families impacted by introduction of charges to process through the child maintenance authority (CMEC). Third sector argue changes could lead to increased levels of poverty, particularly for lone parents.

64. DWP will provide additional advice and signposting at UK level through a web application and telephone support; however, increase in family based arrangements could lead to higher demand for services to support separating and separated families e.g. counselling and mediation.

**Engagement**

65. Officials are currently working with the DWP to ensure the advice and signposting takes account of regional variations. However, application of local services in devolved administrations is currently unclear.

66. The Deputy Minister for Children and Social Services has written to the DWP Minister setting out Welsh Government concerns about the cumulative impacts to vulnerable families in Wales and the need for the support services to take account of regional differences. She has also asked for clarification of how the funding and services will be applied in Wales.

**DWP Skills Conditionality and Sanctions for those on Training**

67. The Welsh Government is not convinced by the case for skills conditionality and has challenged the DWP on their proposals to introduce the policy in Wales, using Welsh Government funded provision, until they can provide evaluation of activity in England for further consideration. After considerable challenge, DWP has now
confirmed that they have reversed their decision and that respecting the Welsh Government position, benefit customers will only be mandated to DWP contracted provision.

68. The DWP had also advised us of their intention to ‘withhold’ training allowances from claimants with a benefit sanction in place or pending. This included Welsh Government Training Allowances administered by Jobcentre Plus. This policy decision was challenged with DWP and I raised the matter with the Deputy Prime Minister and the Minister at the recent Joint Ministerial Committee. Subsequently, Chris Grayling Minister for Employment has confirmed that recognising the responsibilities for the devolved administration in this area, his officials have been instructed that arrangements for transferring customers to training allowances should remain unchanged in Wales.

Analysing the Impact of the UK Government’s Welfare Reforms in Wales

69. A progress update on Stage 2 of the Welsh Government’s programme of research to analyse the impact of the welfare reforms in Wales is at Annex 1.

Finance Requirements and Governance Implications

70. There are no direct financial implications resulting from this Cabinet Paper. This paper is for information purposes. There may be potential financial implications for the Welsh Government’s capacity to meet any additional demand for devolved services resulting from the UK Government’s welfare reforms. However, until an analysis has been completed, the impacts and financial implications can not be fully understood. In the event of costs being identified, separate advice will be presented outlining how those costs will be met.

71. As there are no issues of regularity or propriety, this Cabinet Paper does not need prior approval by the Corporate Governance Unit (CGU). In accordance with FN 01/07 and FN 01/09, this submission has been copied to the CGU.

72. This Cabinet Paper has been cleared by Strategic Finance their clearance number is SB: 4323.

73. This Cabinet Paper has been cleared by the DfES Finance and Corporate Services Division. The clearance number is CSD: 89/12.

74. An Equality Impact Assessment has been considered and is not required at this stage. The DWP will carry out Equality Impact Assessments for the individual changes they make through Welfare Reform. The need for Equality Impact Assessments in respect of Welsh Government proposals will be considered as those proposals are developed.

Communications
75. There are no press or publicity implications at this stage. Welfare Reform is a high profile issue and DfES will work alongside press office to develop media handling plans.

76. The Ministerial Task and Finish Group for Welfare Reform has committed to maintain ongoing engagement with Local Authorities and Third Sector organisations that are most affected by the impact of Welfare Reform through stakeholder engagement events. The next stakeholder event is scheduled for 25 June and will present the connections between tackling poverty and welfare reform.

**Joined Up Working**

77. In drafting this paper officials have consulted the following:

Departments/division:

- Department of Education and Skills
- Department of Local Government and Communities
- Department of Health, Social Services and Children
- Department of Sustainable Futures
- Department for Strategic Planning, Finance & Performance

**Recommendations**

78. That Cabinet notes the latest position on the implications of the welfare reforms and the Welsh Government response; and also notes the progress update on Stage 2 of the Welsh Government’s programme of research to analyse the impacts of the welfare reforms in Wales (Annex 1).

Leighton Andrews AM
Minister for Education and Skills
June 2012

Note: This Cabinet paper was published in November 2017. The figures in Annex 1 are the Welsh Government’s early estimates of the direct effects of the main welfare reforms on household incomes in Wales based on the limited data available in 2012. Further analysis was undertaken to estimate such effects, with the final Stage 2 research reports published in February 2013. The links to these reports are below:

https://www.ifs.org.uk/publications/6586
Further reports have been published since February 2013, and they can be accessed via the following link:
Annex 1

Analysing the impact of the UK Government’s welfare reforms in Wales – Stage 2

1. Since the publication of the Stage 1 Report in February 2012, work has progressed on Stage 2. An update on this work is outlined below.

   An assessment of the impact of the welfare reforms on labour supply in Wales.

2. This research will be externally commissioned. The procurement process is underway, with the research contract expected to be awarded in July 2012 (and completed by December 2012).

   Estimation of the direct effects of the main welfare reforms on household income in Wales.

3. In order to estimate the direct quantitative impact of the main welfare reforms on household incomes in Wales, Knowledge & Analytical Services (KAS) has analysed data from numerous Impact Assessments produced by the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC). However, data is not currently available on the potential impact of all of the welfare reforms in Wales. Due to the incomplete nature of this data, where appropriate, Knowledge & Analytical Services have made a number of assumptions throughout this analysis. Despite this, the coverage of the analysis remains partial. The analysis will be updated and coverage extended as and when additional data becomes available during the policy development process.

4. It is important to note that the Impact Assessments have been undertaken using a static model and therefore do not incorporate potential impacts resulting from dynamic behavioural changes (e.g. in the case of the Housing Benefit reforms, landlords may reduce their rents and/or tenants may move). These behavioural effects will have an impact on income levels of those affected. Wider (indirect) economic impacts will be assessed at a later stage, building on the work already undertaken as part of Stage 1.

5. The analysis currently covers around half of the £18 billion welfare cuts announced by the UK Government, which are due to be implemented by 2014/15. The analysis includes changes to:

   a. Housing Benefit
   b. Child Benefit
   c. Contributory Employment and Support Allowance (ESA)
   d. Disability Living Allowance (DLA) / Personal Independence Payment (PIP) - only those that lose entitlement
   e. Council Tax Benefit
   f. Universal Credit

6. At this stage, due to a lack of data, it has not been possible to quantify the impact of the benefit changes listed in Table 1 on income levels in Wales. However, our initial
A qualitative assessment of the potential scale of impact of these changes is outlined below:

**Table 1**

<table>
<thead>
<tr>
<th>Benefit Change</th>
<th>Potential scale of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switch to CPI indexation (for benefits and tax credits)</td>
<td>Very large</td>
</tr>
<tr>
<td>Working Tax Credit / Child Tax Credit</td>
<td>Very large</td>
</tr>
<tr>
<td>DLA/PIP – those who receive higher/lower payments under PIP</td>
<td>Modest</td>
</tr>
<tr>
<td>Social Fund</td>
<td>Small</td>
</tr>
<tr>
<td>Youth Provisions in ESA</td>
<td>Very small</td>
</tr>
</tbody>
</table>

**Summary of the key findings**

7. For those welfare reforms that have been included in the analysis to date (see above), the aggregate direct loss to annual income levels in Wales is estimated to be around **£40 million** in **2011/12**. This is a result of changes to Housing Benefit and the freezing of Child Benefit rates which have already been implemented. As further reforms are implemented (e.g. time-limiting Contributory ESA and the removal of Child Benefit from those earning more than £50,000), the direct loss to benefit recipients in Wales is estimated to increase to around **£120 million** in **2012/13**.

8. It is difficult to estimate the aggregate annual loss in 2013/14 and 2014/15 due to a lack of data and uncertainty regarding the implementation of Universal Credit. However, by **2015/16**, the reforms assessed are estimated to directly reduce annual income levels in Wales by around **£0.5 billion** (1.0 per cent of Gross Disposable Household Income in 2010/11 prices), with the largest losses expected to arise from the changes to DLA and the time-limiting of ESA.

9. The above estimates will change as the impacts of the remaining reforms (particularly the switch to CPI indexation) are added to the analysis.

10. The remaining elements of Stage 2 will cover:
   - How the reforms are likely to change the demand for public services in Wales.
   - How the reforms are likely to change expenditure patterns and further consideration of the wider economic impacts.
   - Further assessment of the wider social impacts such as the potential impact on crime and health in Wales.
   - How the impact of the welfare reforms may change depending on a range of scenarios for the economy in Wales.

11. It is currently anticipated that the Stage 2 report will be published on the Welsh Government’s website in December 2012.