

# Local Government Association Briefing

## Impact of welfare reform on family life

### House of Lords

1 November 2018



#### KEY MESSAGES

- With responsibility for delivering over 800 services to their communities, councils are uniquely placed to support families to live the lives they want to lead. This includes helping low income households to adjust to changes brought about by wider welfare reforms. It is vital that they are given the flexibility and resources to do this work.
- Low income households can, potentially, mitigate the impact of reductions in benefits income by increasing their earning and reducing their outgoings. In practice this may entail a complex range of solutions including housing, employment, social care and financial inclusion. Councils are best placed to understand family circumstances and bring services together.
- We are concerned by evidence that shows that some households in England, are being pushed into more precarious circumstances as result of the cumulative impact of welfare reform, and that this is felt most severely among vulnerable households.
- We appreciate the Government's 'test and learn' approach to the implementation of Universal Credit. We are pleased that the Government has listened to the concerns raised by local authorities and had committed to both a gradual implementation and additional funding to support the next phase of Universal Credit implementation.
- The National Audit Office (NAO) and the Public Accounts Committee (PAC) have both identified that Government, local government and households could all benefit from improved partnership working between DWP and councils. They have also identified the risk of welfare reforms pushing additional unmet costs on to local authorities as they manage both the administrative and wider policy consequences of welfare reform. The LGA has asked the Department for Work and Pensions (DWP) to ensure that some of the additional funding announced in the Budget goes towards enabling councils to continue to deliver their vital role in administering benefits and supporting households.
- Government must continue work with councils and their partners to understand whether the reforms are achieving overarching policy intentions and deliver welfare reform in a way that takes account of the interaction of wider socioeconomic factors and policy-drivers. For example, the NAO recommended in its report on homelessness that DWP should do more to understand the interaction between homelessness and reductions in support for housing costs. An example of this is the number of households in Temporary Accommodation.

# Briefing

## **BACKGROUND INFORMATION**

### **The impact of wider welfare reforms**

The scale and complexity of the Government's programme of welfare reform makes them challenging to understand and respond to, both for households themselves, and for those who deliver services and support.

We are concerned by evidence that shows that some households in England, are being pushed into more precarious circumstances as result of the cumulative impact of welfare reform, and that this is felt most severely among vulnerable households. The capacity of some households to manage the consequences of welfare reforms may be constrained by both socioeconomic factors (for example, housing and employment markets) and personal factors (for example, health and caring responsibilities). This will exacerbate the challenges these residents face and will place a serious strain on the provision of acute or crisis point council services.

A raft of reforms implemented since 2012 have reduced Government spending and increased conditionality across a whole spectrum of working age benefits including disability benefits, employment-related benefits and housing benefit. Government has conducted analysis of individual reforms, but it has not attempted its own analysis of 'cumulative impact'. A number of other organisations have, however, used Government data, as well as other data sources such as the Family Resource Survey (FRS) to model cumulative impact. These analyses generally suggest that some households face particularly significant reductions in benefit income and may find it particularly difficult to mitigate the impacts of welfare reform (for example by moving home or by increasing employment income).

Alongside these reforms the Government has also been designing and implementing Universal Credit, which brings together a number of 'legacy' benefits into one single, monthly payment to household. The scale of underlying reform has in itself presented significant challenges for the design and implementation of Universal Credit, adding further complexity to an already complex and challenging operational programme.

Universal Credit is both a significant, and potentially positive, way of delivering benefits, and a vehicle for further reforms to benefit levels and conditionality. It incorporates some specific policy-led design features such as the single monthly payment to households, and the 'waiting period' (which affect when and how someone receives their benefit). It also, by means of features such as the work allowance and taper rate, affects the amount of benefit that claimants receive.

This has perhaps been to the Government's detriment in terms of the criticisms levelled at Universal Credit in particular, but it has also meant that solid and much-needed analysis of significant and fundamental reforms such as the freeze to the private sector LHA rate have become lost in the white noise around Universal Credit.

It is important to recognise this complexity because the Government is pulling on an awful lot of levers at once to deliver welfare reforms. This work is currently being undertaken without full consideration of its cumulative impact, and it is therefore difficult to understand which elements of the reforms are working well, and which areas Government should be working with delivery partners to review and ensure that they are achieving the Government's overarching policy objectives. It also, conversely, suggests that criticisms of Universal Credit could, in fact, be more accurately made as criticisms of the speed and breadth of underlying reforms to legacy benefits, which are creating significant changes to our residents lives.

It is also of critical importance to local government. Councils have a direct role in benefits delivery. They have a role in supporting households with the direct impacts of welfare reform, for example as they move on to Universal Credit. They deliver a whole range of

services that interact with the benefits system in particular housing, employment, health and social care. They also deliver discretionary and localised aspects of the welfare system such as Discretionary Housing Payments (DHP) and local welfare schemes.

Councils have dedicated considerable resource to helping DWP deliver its reforms. For example in its design phase Universal Credit depended heavily on the input of local authority revenues and benefits services, and councils continue to deliver housing benefit to a significant number of households who have yet to move on to Universal Credit. Local government has delivered the benefit cap and the Removal of Spare Room Subsidy (RSRS) via housing benefit and continues to administer housing benefit to households in Temporary Accommodation and supported accommodation. This has impacted on the capacity of revenues and benefits services to deliver their wider support role, for example monitoring the effectiveness of DHP, with potential for detrimental impacts on low income households and impact on efficient prioritisation of scarce resources.

**It is vital that the** Government continues work with councils and their partners to understand whether the reforms are achieving overarching policy intentions and deliver welfare reform in a way that takes account of the interaction of wider socioeconomic factors and policy-drivers. For example, the NAO recommended in its report on homelessness that DWP should do more to understand the interaction between homelessness and reductions in support for housing costs. An example of this is the number of households in Temporary Accommodation. As at June 2018, there were 79,880 households living in Temporary Accommodation, which includes 123,230 children. This represents a 65 per cent increase since the first quarter of 2010. This is likely to be at least partly as a result of housing benefit reforms, including the freeze to the private sector Local Housing Allowance (LHA) rate.

Councils have dedicated significant resource to supporting claimants. The LGA concern is that this integrated and cross-cutting role of councils is under-recognised and under-resourced, which presents further risks for the most disadvantaged households.

As we enter the next crucial phase of Universal Credit roll-out and head towards the Spending Review, the Government needs to work with councils to take stock and design an effective delivery partnership that enables Universal Credit to deliver on its overarching policy objectives.

The introduction of Universal Credit is taking place in the context of significant wider reforms to working-age benefits. While there are specific aspects of the design of Universal Credit that are presenting challenges in themselves, such as the single payment in arrears, it must be recognised that it is primarily the underlying reforms to generosity and conditionality that appear to be having the most significant impact on low income households.

Independent research for the LGA found that private rent price growth to 2020 will have had a substantial effect on households' average income, contributing to the gap between living costs and affordability.<sup>i</sup>

There is evidence to suggest that people in receipt of Universal Credit are less likely to be offered privately-rented accommodation. The National Landlords Association found that only one in five landlords are willing to let their property to Universal Credit recipients.<sup>ii</sup> This places further pressure on the social housing sector and makes it difficult for councils to discharge their statutory housing responsibilities.

Recent studies have shown that tenants in the private rented sector are facing among the largest real losses in income as a result of welfare changes.<sup>iii</sup> This is driven in particular by the freezing of the LHA rate, alongside the rise in private rents. It is estimated that private rents in 2020 will be 5 per cent higher than in 2016.<sup>iv</sup>

Many councils have recognised that the freeze to the LHA rate is exacerbating the pressures facing both local authorities and some recipients of Universal Credit. Councils' ability to support homeless households is already severely stretched. The combined impact of these changes risks undermining the objectives of the Government's welfare reform programme.<sup>v</sup>

Employment rightly remains central to Government's thinking on how households mitigate the impact of reductions in welfare spending. Increasing numbers of working households now need to claim Universal Credit Housing Costs (or housing benefit) to meet their living costs. It is therefore vital that we gain a better understanding of how Universal Credit can support not just employment but progression and sustainability to ensure that households have a firm foundation from which to improve their prospects and outcomes.

We continue to call for greater devolution of employment and skills and improved co-location between JCPs, councils and Voluntary Service partners to improve support for low income working households. The local welfare safety net also needs to be better able to support those furthest from the labour market.

Claimants will be more likely to sustain a tenancy if they have access to good financial advice and support, fair and affordable financial products and effective alternatives to high-cost credit. The provision of these alternatives is likely to also reduce the risks of claimants falling into debt. Moving into and furnishing a new home, for example, can present particular costs and challenges to low income households. We are working with the Centre for Responsible Credit and others to look at how the Government, local authorities, housing providers, voluntary organisations and the financial services sector might work together more effectively to 'reshape financial support'.

### **Councils' role in supporting claimants**

The Government has announced that the funding give to councils to deliver Universal Support would be scrapped, and instead a grant to provide Universal Support will be paid to Citizens Advice. While we recognise that there are problems with Universal Support, it is not clear how these will be rectified by a wholesale shift to Citizens Advice. In some cases, we are concerned that commissioning Citizens Advice could exacerbate problems, for example by making it harder for councils to pool budgets and integrate Universal Support for low income households.

Some councils have faced difficulties with delivering Universal Support, but our view is that the Government should have worked with the LGA to resolve these and taken on board the many suggestions our sector has already made for reviewing and amending Universal Support to better meet the needs of Universal Credit claimants.

The lack of prior consultation and the timing of the announcement will make it very challenging for some councils to wrap-up and hand over delivery by April 2019 without impacts on staff, finances and existing provision.

Many councils have voiced considerable concerns about the impact this is likely to have on the support they commission and provide for low income households, in particular their ability to integrate support for Universal Credit claimants with Assisted Digital Support and Personal Budgeting Support with other support such as debt, housing and employment.

This adds further uncertainty and complexity to the already significant challenges we face as key partners in managed migration. All councils expressed the view that this was not a constructive way to engage with a key delivery partner.

We need, as a matter of urgency, effective three-way partnership working between DWP, local government and Citizens Advice at both a national and local level to ensure that the new service is fit for purpose and enhances existing delivery by councils and other statutory and Voluntary and Community Sector (VCS) partners. Councils must not

be out of pocket and staff should be treated as fairly as possible. Managed migration must not commence until a solid, agreed and effective approach to supporting claimants is in place in all local areas.

### **Discretionary Housing Payment allocations**

The latest Discretionary Housing Payment (DHP) figures<sup>vi</sup> from Government, show that:

- In 2017/18 councils reported spending 28 per cent of their DHP allocation on the benefit cap.
- Nearly 50 per cent of councils' spending on DHP because of the benefit cap is recorded as being 'to help with ongoing rental costs' for reasons other than 'seeking employment' or 'moving house'.
- At the same time, in high cost areas of the country, some councils report spending a significant portion of the DHP allocation to support households in Temporary Accommodation.<sup>vii</sup>

There are some concerns that certain councils are underspending their allocations and work needs to be done to understand the various reasons for this. However, the figures show that when the underspends and overspends are totalled across the country, this equates to 99 per cent of the DHP allocation figure. It is clear from these local discrepancies that the allocation formula needs to be reviewed to ensure that it more accurately reflects local need.

It is therefore positive that the DWP has acknowledged our concerns and plans to undertake a detailed survey of councils' use of DHP. The LGA has been consulted on the design of this survey. Our ambition is to ensure that a fairer and more effective approach to funding is introduced. This should include ensuring that a new allocation formula is able to account for local differences, for example, labour market factors.

As well as issues regarding the allocation formula, it is important to note that continual changes to the welfare system, as well as fluctuations in housing and employment markets, make it difficult to profile the demand for DHP over the course of the financial year. In certain circumstances, the cost to councils could end up being much greater in the long run as a result of having to take a short-sighted financial decision.

### **Managed migration**

The LGA is pleased that the Government has listened to the concerns that local authorities have raised about the next phase of Universal Credit implementation. Households who have been on legacy benefits throughout the full service roll-out may, in many cases, have considerable additional support needs, which will require to be carefully considered within the approach to Managed Migration.

While we welcome the Government's commitment to maintaining a 'test and learn' approach to Universal Credit implementation, delaying the roll-out of Universal Credit will present an extra cost to councils, who will now continue to pay housing benefit to some residents until 2023. This puts considerable pressure on councils' revenues and benefits services, with a detrimental impact on poverty prevention and early intervention support provided within these services.

Councils have a central and continued role both in administering existing legacy benefits, in particular housing benefit, and in providing support and services to these households, for example through housing, social care and public health provision.

Councils have worked consistently and supportively alongside the Department for Work and Pensions throughout the design and implementation of Universal Credit. The vital role that councils play is often under-recognised and under-resourced.

The LGA and councils have made it clear that councils must be adequately and appropriately funded for both their administrative role, and for the support they provide to claimants. As highlighted by the Public Accounts Committee last week local authorities currently bear a number on unfunded costs associated with the implementation of the Government's welfare reforms.

We welcome the steps taken by DWP to reflect that we are in a delivery partnership for the next phase of Universal Credit. Councils need an effective engagement process with DWP, and clarity on DWP's plans for managed migration, in order to understand the impact on councils in terms of administrative processes and resources, and most crucially, the impact on claimants. Councils and VCS organisations who support vulnerable claimants have submitted their views to the Social Security Advisory Committee (SSAC) and DWP, but it is not clear how these will inform the Universal Credit programme's next steps.

The LGA, councils and VCS partners support a slow and careful approach to managed migration if it allows for IT and design issues to be addressed, and for better planning and implementation. There are, however, concerns that this will result in the loss of transitional protection for those who might otherwise have been part of the managed migration cohort as of July 2019.

Councils have raised the following issues as primary concerns regarding managed migration:

- The current proposals may increase the likelihood of claimant error and reduce administrative efficiency. Councils and stakeholders have all expressed concerns that the term 'managed migration' is misleading. The current proposal is for a claimant's legacy benefits to be stopped, and for them to be required to make a new claim to Universal Credit within a prescribed timeframe. This presents a range of potential challenges, for example with Housing Benefit stop notices. We would like to work with DWP and VCS stakeholders to explore ways in which we can use existing data and relationships with claimants to minimise these risks.
- The approach needs to provide a fair or effective approach to communicating changes and supporting residents with a new claim.
- The regulations as currently drafted place the primary burden of risk on the claimant and, by extension, councils and VCS partners.
- There are inadequate proposals for effective information sharing with councils to improve the experience and outcomes of claimants in the short, medium and long term. This also applies to Universal Credit more widely.
- Many of those who will be 'migrated' will face barriers to understanding, making and maintaining a Universal Credit claim, and to managing changes in entitlement or conditionality. It is our view that Universal Support and other forms of local welfare support must be reviewed and expanded, and more secure and devolved funding put in place, to ensure the long-term viability of Universal Credit. This has been complicated by the surprise announcement of the transfer of Universal Support funding to Citizens Advice.
- DWP needs to commit to more effective partnership working to avoid placing further pressure on already stretched Revenues and Benefits services. Councils are responsible for delivering housing benefit to a significant majority of those who will be affected by managed migration.

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- <sup>i</sup> Learning and Work Institute report for the LGA, *The local impacts of welfare reform*, October 2017
- <sup>ii</sup> National Landlords Association, *Two in ten landlords willing to house Universal Credit tenants*, October 2017 (<https://www.landlords.org.uk/news-campaigns/news/two-in-ten-landlords-willing-house-universal-credit-tenants>)
- <sup>iii</sup> Learning and Work Institute report for the LGA, *The local impacts of welfare reform*, October 2017
- <sup>iv</sup> Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)
- <sup>v</sup> Ibid.
- <sup>vi</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/724614/use-of-discretionary-housing-payments-2017-to-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/724614/use-of-discretionary-housing-payments-2017-to-2018.pdf)
- <sup>vii</sup> [https://england.shelter.org.uk/\\_\\_data/assets/pdf\\_file/0004/919093/Temporary\\_Accommodation\\_.pdf](https://england.shelter.org.uk/__data/assets/pdf_file/0004/919093/Temporary_Accommodation_.pdf)