

# Local Government Association Briefing

## Opposition day debate on Universal Credit

### House of Commons

17 October 2018



#### KEY MESSAGES

- We want the continued implementation of Universal Credit to be a success. Equally crucially we want the reformed welfare system as a whole to be a success, not just for Government, but for councils and, most importantly, for the people using it.
- To achieve this, the Government has to consider the impact of welfare reform holistically. The cumulative impact of the different changes to welfare cannot be ignored.
- With responsibility for delivering over 800 services to their communities, councils play an important role in managing the impact of Universal Credit and wider welfare reform for their residents.
- We cannot afford to isolate our approach to delivering any one particular service, without considering how this will impact on other parts of people's lives.
- As well as the possibility that some individuals will be worse off under Universal Credit,<sup>i</sup> we know that rolling out Universal Credit carries both direct and indirect costs for local authorities.
- Where councils are able to evidence a direct cost impact from the implementation of Universal Credit this is being met by central Government through New Burdens funding. However, this funding is retrospective and therefore limits councils' ability to conduct long-term financial planning.
- There are many indirect costs to councils of Universal Credit and welfare reform, for example in terms of housing and financial inclusion, which are not being fully met by Government.
- In the context of councils facing a £3.9 billion funding gap by 2019/2020 just to make sure they can continue to deliver existing public services at their current levels,<sup>ii</sup> the cumulative cost of rolling out Universal Credit, as it is currently planned, is unlikely to be sustainable for councils.
- The next phase of Universal Credit, 'managed migration', will impact on some of our most vulnerable residents. This is likely to exacerbate the challenges highlighted above and we are deeply concerned by the lack of engagement by the programme with the LGA and local authorities on how this will be implemented.

# Briefing

## **BACKGROUND INFORMATION**

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

The introduction of Universal Credit is taking place in the context of significant wider reforms to working-age benefits. It is having a significant impact on access to, and affordability of, accommodation in the private rented sector. 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>iii</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>iv</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>v</sup> This is driven in particular by the freezing of the Local Housing Allowance (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>vi</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>vii</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**

Councils play an important role in managing the impacts of welfare reform in their communities, including the rollout of the Universal Credit. Locally commissioned and delivered support services are vital to a smooth transition for claimants to the programme. Universal Support, which councils have a key role in delivering, has been a central pillar of these services alongside Universal Credit.

Local authorities are working with the Department for Work and Pensions (DWP) to

design and implement local support services. To ensure Universal Credit is responsive to local need, the role of councils must be formally recognised and adequately funded. Much of the assistance which councils provide alongside Universal Support is unfunded, since the removal of a separately-identified pot of local welfare assistance funding.

The funding and reporting constraints within Universal Support are often barriers to the flexibility and integration of support services. There is currently a focus on Assisted Digital and Personal Budgeting Support (PBS) to help the transition from legacy benefits on to Universal Credit. These services are often crucial to an individual's ability to make a new claim, but they do not adequately recognise the wider, long term support needs of claimants, or the importance of the role that councils play in delivering welfare effectively.

Rolling out the Universal Credit programme has been a hugely complex task for the Government. The current emphasis on process over outcome is reflected in the Government's narrow prescription of the support councils are being asked to offer. This has been detrimental to the wider strategic objective of improving the relationship between work and welfare.

There are a number of improvements which DWP could make to the Universal Credit framework, which would improve outcomes for claimants. This includes:

- Integrating Universal Support funding with all other forms of discretionary funding (Discretionary Housing Payments, former social fund).
- Reverting to an emphasis on a 'single claimant journey'. This can be brought about by better integrating Job Centre Plus (JCP) in local areas and co-locating where possible.
- Committing to a properly recognised and defined delivery partnership between DWP and local government, to improve outcomes for low income households.
- Recognising the significant existing financial pressures on many low income households. Universal Credit strategy has to be integrated with strategy and policy on housing, employment, health and poverty or we will never make sustainable improvements to households' outcomes. At present too many households are kept in a state of low-level and perpetual crisis.

The Government could do more to ensure Universal Credit is delivering its overarching aims of simplifying the welfare system and improving work incentives. For example, when evaluating outcomes, the Government should assess of what kind of employment claimants are in, and whether they are earning enough to meet basic living costs.

### **Discretionary Housing Payment allocations**

The latest Discretionary Housing Payment (DHP) figures<sup>viii</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>ix</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**

We are concerned that DWP has shared no detail on its plans for 'managed migration', despite repeated requests from councils and the LGA. Without significant improvements to the engagement process with DWP, and clarity on DWP's plans for managed migration, we remain concerned about the impact on councils in terms of administrative processes and resources, and most crucially, the impact of 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 Voluntary and Community Sector (VCS) partners would support a delay in the implementation of 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 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. Claimants may be justifiably confused about the need to re-submit a whole range of personal data when their personal circumstances and entitlements have not changed.
- **The current proposals do not provide a fair or effective approach to communicating changes and supporting residents with a new claim.** For example, information is to be sent out to claimants in letters and it isn't clear how more vulnerable people will be identified to receive, for example, home visits or other additional support.
- **The regulations as currently drafted place the primary burden of risk on the claimant and, by extension, councils and VCS partners.** For example: there are a range of scenarios in which a claimant may inadvertently lose entitlement to transitional protection or face a period without income. The current proposals for backdating only extend to one month and there is a requirement for 'good reason' to

be supplied for reviewing a claim.

- **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 applies to, for example, pre-population of Universal Credit claims with Housing Benefit data; information to support Local Councils Tax Support and passported benefits, and the withdrawal of implicit consent from welfare rights advisers.
- **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.
- **A lack of consultation and partnership working will place 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> <https://www.bbc.co.uk/news/uk-politics-45824590>

<sup>ii</sup> <https://www.local.gov.uk/moving-conversation-lga-budget-submission-2018>

<sup>iii</sup> Learning and Work Institute report for the LGA, *The local impacts of welfare reform*, October 2017

<sup>iv</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>v</sup> Learning and Work Institute report for the LGA, *The local impacts of welfare reform*, October 2017

<sup>vi</sup> Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)

<sup>vii</sup> Ibid.

<sup>viii</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>ix</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)