

Local Government Association Briefing

Opposition Day Debate on the rollout of Universal Credit

House of Commons

Wednesday 18 October 2017



Key messages

- Councils have raised concerns about the design and implementation of Universal Credit (UC) Full Service to date, in particular the impact of the initial waiting period and delays in claimants receiving their first UC payment. Initial feedback from councils shows that this is resulting in a marked increase in debt and rent arrears. This has a detrimental impact on households and the ability of councils and social landlords to invest in social and affordable housing.
- Local authorities have worked constructively with the Government on the transfer of responsibility for Housing Benefit into the UC programme. Councils will continue to have a substantial role in administering Housing Benefit, and it is vital that councils' ongoing responsibilities are fairly and accurately reflected in the funding provided to them.
- Universal Credit brings together mainstream working age housing and employment benefits, and has the potential to enable claimants to manage better with fluctuating earnings. However, issues with existing benefits, such as the growing gap between the Local Housing Allowance (LHA) rate and private sector rents, are concerning. In light of this, we are calling for the LHA rate freeze to be lifted and for an urgent review of LHA before it is extended to the social sector in 2018.
- Independent research for the LGA found that the cumulative impact of welfare reforms to 2020 will, without improvements to housing and employment support, lead to falls in real income for many households.¹ It is therefore vital the Government works with councils to ensure that that UC delivers on its aims to increase income from employment. We have called for greater devolution and integration of employment and skills support, and a review of the UC taper rate.
- Councils face significant challenges in providing support to both homeless households and those at risk of homelessness. The Government is listening to our concerns that UC is not currently suitable for most homeless households, where in the majority of cases the housing costs are met by the local authority. The proposed removal of temporary accommodation from UC is welcome, but the programme needs to be integrated with a wider, more effective approach to homelessness prevention.
- Many vulnerable recipients of benefits have additional support needs. This presents a number of challenges for councils in supporting claimants of UC, as well as administering other housing costs and benefits. Getting the local safety net right is vital to the success of UC. The LGA has called for a review of the local safety net to ensure that the role of councils is both appropriately recognised and adequately funded.

Briefing

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¹ Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)

Background information

Universal Credit is a complex, large-scale project, sitting within a wider programme of reforms to working age benefits. There are several key aspects of UC that impact on councils – both directly on budgets and benefits administration, and indirectly on councils' responsibilities towards vulnerable and low income households. Local authorities have raised concerns about aspects of the rollout of UC, including the role of councils in administering housing benefit and debt accumulation, due to the waiting period for payment of UC.

Universal Credit and working age benefits more widely also have a direct and vital relationship with other areas of policy and delivery, particularly housing, employment and financial security.

Design and implementation of the UC programme

The built-in waiting period is a core feature of UC. A number of councils in existing full service areas have conducted their own impact analysis, and have found that this is contributing to significant and sustained increases in rent arrears. This has implications for council budgets, investment in social and supported housing, and the advice and support we provide to our residents.

Unresolved issues in terms of administrative error and information-sharing mean that a significant minority of initial UC payments are incorrect or delayed. We appreciate that the intention is that the landlord portal will resolve many of these problems. However we do not have the evidence that this, and other piloted solutions, are fully developed and will work at scale.

In their joint submission to the Work and Pensions Committee's initial inquiry into UC, the London boroughs of Croydon, Hounslow, Southwark and Tower Hamlets set out in detail how up to two thirds of their council tenants claiming UC had fallen into significant rent arrears. These local authorities have not seen any substantial improvement in the level of rent arrears since the introduction of the landlord portal.²

These issues also present considerable challenges to local authorities' Council Tax support schemes, and wider support for vulnerable households. Councils need to know who is in receipt of UC, and we need accurate and timely data to inform other local support and advice provision.

Housing Benefit administration

Local authorities have worked constructively with the Government since it first proposed the transfer of Housing Benefit costs into UC. It is increasingly clear that councils will continue to have a substantial role in administering Housing Benefit, and in providing a wide range of support to those in receipt of UC. There is evidence to suggest that UC has increased the range and complexity of interventions that local

² Evidence to the Work and Pensions Committee

(<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/70154.html>)

authorities now have to undertake.³ This is increasing the pressure on services and resources at a time when councils' funding and rental income is reducing.

Research conducted by the Department for Work and Pensions in 2012/13 identified that the Housing Benefit administration subsidy was only meeting around half (52 per cent) of the cost to councils of delivering the benefit locally. Councils have since worked to bridge the funding gap by making successful efficiency savings, but year-on-year reductions in the subsidy have stretched councils further.

Work currently being carried out by DWP's Housing Delivery Division shows that councils are still subsidising their administration of Housing Benefit, potentially diverting funds from other services. The Government should work with councils to establish the true costs of delivering the full revenues and benefits service, and ensure that councils are adequately funded to deliver benefits locally.

It is crucial as we move towards UC Full Service, that the nature of the partnership between local and central government is appropriately reflected and resourced in all aspects of UC and Housing Benefit service design. We have asked for a shared review of the total costs to councils of delivering the service, and for councils' role in delivering DWP benefits to be fully defined and funded.

Impact of welfare reforms on low income households

Councils face significant challenges in providing support to both homeless households and those at risk of homelessness. The Government is listening to our concerns that UC is not currently suitable for most homeless households, where in the majority of cases the housing costs are met by the local authority. The most recent figures for England show 77,240 households, with a total 120,540 children, living in temporary accommodation⁴. This is a 10 per cent rise on the previous year, with use of temporary accommodation outside London now rising fastest.

Concerns have been expressed by some councils that wider welfare reforms, in particular changes to the Local Housing Allowance (LHA) rate, may be exacerbating the problem. The proposed removal of temporary accommodation from UC is welcome, but the programme needs to be integrated with a wider, more effective approach to homelessness prevention.

The local safety net - support to vulnerable claimants

Councils are concerned about a lack of clarity about how the UC programme will work with local authorities to identify and support vulnerable claimants. Universal Support (US) should enable councils to help people to make a claim, but councils face challenges integrating US with other support for claimants because of the UC programme's lack of integration with wider policies on low-income households. There

³ Evidence to the Work and Pensions Committee, September 2017

(<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/70203.html>)

⁴ DCLG Homelessness and Temporary Accommodation Live Tables (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>)

are also some specific aspects of UC that are preventing effective partnership working, for example the removal of implicit consent, which means that councils are prevented from mediating directly with the UC programme on behalf of claimants most in need of support.

In 2012/13 the DWP devolved the crisis loans and community care grants components of the nationally administered social fund, then estimated to be worth £177 million.⁵ An immediate reduction of around 10 per cent was applied when the funding was devolved, which councils were able to absorb through low-cost innovations. It is concerning that separate funding for local welfare schemes was also removed, leaving many councils unable to provide vital support. This is leaving some households more vulnerable to high-cost credit, an issue that has been identified by the Financial Conduct Authority, among others.⁶

Discretionary Housing Payments (DHPs) are intended to enable households to deal with short-term financial difficulty. DHP funding has been increased for a fixed period to enable councils to mitigate the impact of specific Housing Benefit reforms. However, the increase in DHP funding falls well short of the reduction in Housing Benefit spending. The LGA has called for a review of funding and delivery of the local safety net including DHP, the former Social Fund and Universal Support. Councils need clarity on the funding for these components, and the long-term stability of the local safety net.

The success of UC depends on the effectiveness of the wider social security system in delivering for residents. The design and implementation challenges which the programme is facing, must be resolved in order to ensure the success of UC's overarching policy intentions to improve employment outcomes and reduce welfare spending overall.

⁵ National Audit Office: Local Welfare Provision, January 2016 (<https://www.nao.org.uk/wp-content/uploads/2016/01/Local-welfare-provision.pdf>)

⁶The decline of crisis and community care support in England: why a new approach is needed. Centre for Responsible Credit, September 2017 (<https://www.responsible-credit.org.uk/wp-content/uploads/2017/10/Decline-in-Local-Welfare-Schemes-final.pdf>)