

Local Government Association briefing

Debate on the impact of Universal Credit on claimants

House of Lords

Thursday 16 November 2017



Key messages

- Local authorities continue to play an important role in managing the impacts of welfare reform in their communities, including the rollout of the Universal Credit (UC) Full Service. It is therefore crucial that councils' concerns about the effect of the rollout of UC on residents and services are listened to by the Government.
- Councils have raised concerns about the design and implementation of the UC Full Service to date. Feedback from councils shows that the initial payment waiting period for claimants is resulting in a marked increase in debt and rent arrears. This is damaging for households and councils' ability to invest in social housing.
- Independent research for the LGA found that the cumulative impact of welfare reforms to 2020 will lead to falls in real income for many households.ⁱ It is therefore vital the Government works with councils to ensure that UC is effective in incentivising work and increasing income from employment.
- A new report shows that the challenges facing both councils and households risk undermining the objectives of the Government's welfare changes. The report, *The local impacts of welfare reform*, published by the Learning and Work Institute and commissioned by the LGA, brings together a wide range of research to explore the impacts on people, communities and services.ⁱⁱ
- Analysis shows that certain vulnerable groups are disproportionately affected by welfare reform and the introduction of UC.ⁱⁱⁱ Councils have a duty to support these residents, and need clarity over their role in mediating between vulnerable claimants and the UC system.
- Welfare reform is happening in a wider context of rising housing costs and lower incomes, leading to an 'affordability gap' that may be exacerbating the impacts of reform. An example of this is the marked increases in homelessness acceptances in recent years.^{iv}
- Rising private sector rents and changes to the Local Housing Allowance (LHA) rate, without a corresponding increase in housing support, means that the number of households that turn to local government for support will increase.
- Some claimants migrating from existing welfare programmes will not receive transitional protection. Only those who move on to UC as part of the 'managed migration' in 2019 will receive protection. Councils are already reporting confusion and stress about the potential financial impacts for claimants who will move on to UC after a break in claim.

Briefing

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Background information

Impact of the initial rollout of Universal Credit

A report commissioned by the LGA estimated that of the 7.2 million households who will be affected by the roll-out of Universal Credit 3.1 million households will lose an average of £46.48 per week as a result, while 2 million will gain an average of £26.80 per week. The remainder of households will experience a negligible change, or no change, in income.^v

The built-in waiting period for the initial payment of funds is a core feature of UC. A number of councils in existing full service areas have found that it 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 councils provide to residents.

Evidence from some local authorities recognises that the majority of UC claimants in their areas have not approached caseworkers for support. However, as highlighted by Lancashire County Council, many who experienced the initial waiting period for payment were placed into financial crisis. As a result, families are having to turn to local welfare schemes and foodbanks, causing significant stress.^{vi}

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.^{vii}

The Department for Work and Pensions (DWP) is currently collecting information from councils on referrals and provision of Universal Support (US), where councils help claimants with digital and financial inclusion. Referrals and take-up appear to vary significantly between areas, and it is important that Government continues to ensure that councils are able to identify and reach those who need additional support.

One of the key features of UC is intended to be its emphasis on making work pay and supporting in-work progression. However, DWP has produced very little information on support for in-work progression. The LGA would like to see the Government take up the recommendations in our 'Work Local' report to enable councils to provide more support to low-income working households. This is particularly important given recent research has shown evidence of increasing levels of in-work poverty.^{viii}

Impacts on vulnerable claimants

According to analysis, certain groups are disproportionately affected by welfare reforms, in particular, disabled people and those with health conditions; households with dependent children; and disadvantaged young people.^{ix}

There is currently a lack of clarity about how the UC programme will work with local authorities to identify and support vulnerable claimants. Through Universal Support US, councils should be able to help people to make a claim, but councils have found

that the UC programme's lack of integration with wider support for low-income households is holding this back.

There 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. Allowing councils to mediate directly with the UC programme would ensure some of the most vulnerable claimants can receive the support they need^x.

One of the most effective ways of ensuring the most vulnerable claimants of UC are protected is by adequately funding the local safety net. Given the structural barriers to support for vulnerable claimants within the UC programme, the Government must maintain adequate funding and momentum for the Universal Support programmes delivered locally. This will ensure a vital support base is in place for the most vulnerable recipients.

There are also likely to be considerable challenges in enabling Employment and Support Allowance (ESA) claimants to manage their claims when the majority of these claimants move on to UC as part of 'managed migration' in 2019. The Government must improve its plans to work with councils on support for the most vulnerable claimants, including many ESA recipients, when UC expands. Councils are already reporting confusion and detrimental impacts for the small number of ESA claimants who are becoming eligible for UC following a break in claim.^{xi}

Impact of wider welfare reforms

Independent research for the LGA found that the cumulative impact of welfare reforms to 2020 will lead to falls in real income for many households.^{xii} It is therefore vital the Government works with councils to ensure that UC is effective in incentivising work and increasing income from employment.

Rising living costs are intensifying the pressures felt by many low-income households in dealing with welfare reforms. The transition to Universal Credit will cost these households £7.62 per week on average. However, when expected inflation and private rent price growth to 2020 are taken into account, the average income loss per household is much greater, at £40.62 per week.^{xiii}

The reforms to housing-related benefits are a major contributor to the gap between living costs and affordability. Recent studies have shown that tenants in the private rented sector are facing among the largest real losses in income as a result of recent welfare changes.^{xiv} 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.^{xv}

Many councils have recognised that the freeze to the LHA rate is exacerbating the pressures facing both local authorities and some recipients of UC. 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.^{xvi}

The Government has said that it is listening to concerns that UC is not currently suitable for most homeless households, which is positive.^{xvii} The proposed removal of temporary accommodation from UC is welcome, and should be implemented as soon as possible to relieve the burden on homeless families.

Report for LGA: welfare reform objectives ‘at risk’

A new report on welfare reform shows that the challenges facing both councils and households affected risk undermining the objectives of the Government’s welfare changes. The report, *The local impacts of welfare reform*, published by the Learning and Work Institute and commissioned by the LGA, brings together a wide range of research to explore the impacts on people, communities and services.^{xviii}

The report identifies the freeze to the local housing allowance rate in the private sector and the dilution of work incentives in Universal Credit as key issues. The findings show that councils’ ability to support those affected by the reforms have been made all the more challenging having taken place against a backdrop of budget reductions.

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

ⁱⁱ LGA media release, Welfare reform objectives ‘at risk’ – warns report

(<https://www.local.gov.uk/about/news/welfare-reform-objectives-risk-warns-report>), November 2017

ⁱⁱⁱ Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

^{iv} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

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

^{vi} Lancashire County Council and LGA Social Security Advisers Group, evidence to the Work and Pensions Committee (<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/70163.html>), September 2017

^{vii} 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>)

^{viii} Monitoring Poverty and Social Exclusion, Joseph Rowntree Foundation 2015

<https://www.jrf.org.uk/mpse-2015/work-poverty>

^{ix} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

^x Lambeth Council evidence to W&P Select Committee inquiry into UC roll out, October 2017

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/71287.html>

^{xi} Child Poverty Action Group, evidence to the Work and Pensions Committee

(<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/71264.html>)

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

^{xiii} Ibid.

^{xiv} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

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

^{xvi} Ibid.

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

^{xviii} LGA media release, Welfare reform objectives ‘at risk’ – warns report

(<https://www.local.gov.uk/about/news/welfare-reform-objectives-risk-warns-report>), November 2017