

Local Government Association briefing

Backbench Business Debate

The rollout of Universal Credit

House of Commons

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.
- Many councils have been successful in developing innovative, cross-organisational approaches to delivering welfare reform locally. However, there have been substantial challenges presented by the scale of the reforms, including the introduction of UC alongside the wider reforms.
- Councils have raised concerns about the design and implementation of the UC Full Service to date, in particular the impact of the waiting period for 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 is damaging for households and councils' ability to invest in social 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 recognised and funded.
- The Government is listening to our concerns that UC is not currently suitable for most homeless households. The proposed removal of temporary accommodation from UC is welcome, and we would like to see this approach implemented quickly and fairly. The programme needs to be part of a wider, more effective approach to homelessness prevention.
- 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.
- 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. Councils have a duty to support these residents, and need clarity over their role in mediating between disadvantaged claimants and the UC system.

Briefing

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.

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 for the initial payment of funds 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.

Instances of administrative error and the difficulty with 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 yet have sufficient 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.ⁱⁱ

We continue to lack the ability to share data sufficiently for truly effective partnership working. This includes the identification of claimants who are corporate appointees, timely information about Discretionary Housing Payment awards, information about debt and financial circumstances, and the long-term proposals for passported benefits such as Free School Meals.ⁱⁱⁱ Local and national government need to work together urgently to agree what data can be shared and the best ways of doing so. 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 authorities now have to undertake.^{iv} 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. Councils have since worked to bridge the funding gap by making successful savings elsewhere. However, year-on-year reductions in the subsidy has meant funds have potentially been diverted from other council services to plug the remaining gap.

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.

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.

Universal Credit and 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.^v It is therefore vital the Government works with councils to ensure that UC is effective in incentivising work and increasing income from employment.

Some councils have said that wider welfare reforms, in particular changes to the Local Housing Allowance (LHA) rate, may be exacerbating the problem. The reductions in financial support for some working families under UC, combined with the changes to the LHA rate in the private rented sector, risks undermining the objectives of the Government's welfare reform programme.^{vi}

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 accommodation^{vii}. The proposed removal of temporary accommodation from UC is welcome, but this approach needs to be implemented quickly and fairly, at no further cost to councils. Vitally, the programme needs to be integrated with a wider, more effective approach to homelessness prevention.

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.

Support to vulnerable claimants

Certain groups are disproportionately affected by welfare reforms, in particular, disabled people and those with health conditions; households with dependent children, those with the highest rental costs; and disadvantaged young people.^{viii}

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 benefits for low-income households is holding this back.

Of particular concern to local authorities is the lack of transitional protection for Employment Support Allowance claimants who move on to UC after a break in claim. At present only those who move on to UC via managed migration are protected from immediate reductions in their payments. Any short-term fall in income for these claimants could result in the need for council intervention.

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.

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.^{ix}

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.

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- ⁱ Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)
- ⁱⁱ 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>)
- ⁱⁱⁱ Lambeth Council evidence to the Work and Pensions 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>)
- ^{iv} Evidence to the Work and Pensions Select Committee inquiry into UC roll-out, September 2017
(<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/70203.html>)
- ^v Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)
- ^{vi} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017
- ^{vii} DCLG Homelessness and Temporary Accommodation Live Tables (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>)
- ^{viii} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017
- ^{ix} 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