

LGA briefing
Opposition Day debate on Universal Credit
House of Commons
11 July 2018



Key messages

- We support the principle of Universal Credit, which is to incentivise work and increase income from employment. Councils want the transition to be a success, however there are concerns about funding reductions for the programme, the impact of the freeze to working age benefits, and shortfalls in funding for supporting claimants with additional needs.ⁱ
- Councils play an important role in managing the impacts of welfare reform in their communities. Many are reporting that Universal Credit appears to be having a short-term adverse effect on the ability of some households to manage their finances. The Government needs to work with local authorities to prevent this.
- Local authorities are working with the Department for Work and Pensions (DWP) to design and implement local support services. This includes administering Housing Benefit and providing Council Tax Support. To ensure Universal Credit is responsive to local need, this partnership must be strengthened and the role of councils formally recognised.
- 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.
- The transition to a single welfare payment may have a greater chance of achieving successful outcomes for individuals if assessed alongside existing pressures. These include the unaffordability of the private housing market, coupled with the Local Housing Allowance rate freeze and the shortage of social housing.

Briefing

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Further information

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 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. Since the removal of an independent pot of local welfare assistance funding, much of the assistance which councils provide alongside Universal Support has gone unfunded.

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 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 what kind of employment claimants are in, and whether they are earning enough to meet basic living costs.

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 large 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. ⁱⁱ

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.ⁱⁱⁱ 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.^{iv} 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.^v

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.^{vi}

Employment rightly remains central to the 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 to understand how Universal Credit can support employment progression to ensure that households have a firm foundation from which to improve their prospects.

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. The LGA is 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'.

ⁱ <https://www.local.gov.uk/about/news/lga-responds-nao-report-universal-credit>

ⁱⁱ Learning and Work Institute report for the LGA, *The local impacts of welfare reform*, October 2017

ⁱⁱⁱ 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>)

^{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} Ibid.