Local Government Association briefing
Opposition Day Debate - Universal Credit
House of Commons

Tuesday 5 December 2017

Briefing

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.

- The measures announced in the Autumn Budget are a welcome recognition of the considerable challenges presented by the initial waiting period for UC, particularly in relation to rent arrears.[i] However, the proposed solutions, in particular the 'transition to the UC housing payment' through a continuation of Housing Benefit (HB), could place a considerable bureaucratic burden on councils.

- The Budget measures do not fully address the widening gap between people's incomes and outgoings, and the resulting pressures on council budgets and services. The Government has focused on providing temporary uplifts in funding such as the increase in the Targeted Affordability Fund. While these measures are welcome, they do not address broader challenges in the welfare system, housing or employment markets.

- Many of the elements of UC continue to be delivered by councils. As a consequence of this, and successive changes to the scale and pace of the full UC rollout, councils face ongoing uncertainty about the size and duration of their Housing Benefit caseload. The Department for Work and Pensions (DWP) only funds around 50 per cent of the cost to councils of administering HB. Despite this shortfall, councils continue to deliver an effective service. It is vital that DWP recognises that UC is being delivered in partnership with local government, and fully funds local delivery.

- Councils also continue to provide a significant amount of support and advice to UC claimants, particularly those with complex or additional needs. DWP provides some funding to councils to deliver Universal Support, but this is narrowly defined. The local safety net enables claimants to successfully make a Universal Credit claim and should be appropriately recognised and adequately resourced by the Government.

- 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.[ii] It is therefore crucial that the Government works with councils to ensure that UC is effective in incentivising work and increasing income from employment.

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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.

The changes to Universal Credit in the Autumn Budget

In the Autumn Budget the Government announced a number of changes to UC designed to ease the pressure on new claimants.[iii] The measures include enabling claimants to access up to a month's worth of UC within five days, interest-free; removing the seven-day waiting period for new applicants; and ensuring people already on HB continue to receive their award for two weeks after their UC claim.

We are pleased that the Government has listened to some of our concerns, particularly to address issues related to the initial waiting period and HB. However, these measures do not fully address the widening gap between people's incomes and outgoings, and the knock-on pressures on council budgets and services.

Local authorities are working to understand detail of how the measures will be implemented. The two week continuation of HB, in particular, may be administratively complex. These must be fully funded, and DWP must continue to work closely with local government on implementation, so that claimants fully understand what support is available and how they can access it.

Currently DWP only funds around 50 per cent of the cost to councils of administering HB, which has presented very significant challenges in recruitment and retention, and business continuity. Despite this shortfall, councils continue to deliver an efficient and effective revenues and benefits service to their residents, but many councils are now at breaking point. It is vital that DWP recognises that the UC Programme is in a delivery partnership with local government and fully funds local delivery.

We have also 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.

The Budget allocates £8 million to trial innovative approaches to help individuals on UC to earn more in work. It is not clear how this funding will be spent, but councils would like to see this be integrated with locally-commissioned and delivered support to close the skills gap and promote improved pay and work progression. The LGA has put forward strong proposals for a better, locally-integrated system in its *Work Local* report.[iv]

Supporting 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.[v]

There is currently a lack of clarity about how the UC programme will work with local authorities to identify and support vulnerable claimants, which was not addressed in the Autumn Budget. Through Universal Support, 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.

It is increasingly challenging for councils to deliver the wider safety net, in the face of reductions to other early intervention and local welfare funding, such as the removal of the former Social Fund. The local safety net enables claimants to successfully make and maintain a UC claim and should be both appropriately recognised and adequately resourced. DWP must continue to work closely with local government on implementation, so that claimants fully understand what support is available and how they can access it.[vi]

One 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.

Universal Credit in a wider local context

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.[vii] It is therefore vital the Government works with councils to ensure that UC is effective in incentivising work and increasing income from employment.

Universal Credit is intended to help households to understand and manage their household finances more effectively, by making benefit payments more like earnings from employment. This goal is more likely to be reached if councils have the tools and resources to effectively integrate support for UC claimants with other forms of debt advice and financial inclusion. This is why councils are calling for more localised funding and commissioning of financial support, which will enable us to integrate this more effectively with housing, employment, health and social care.

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.[viii]

The Government is listening to our concerns that UC is not currently suitable for most homeless households, where housing costs are typically 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[ix]. 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.

Local authorities have put forward a range of sensible proposals to increase the supply of social and affordable housing, in particular the removal of the housing borrowing cap. The gap between the housing costs component of UC, and average prices in the housing market, appears to be a key factor in increasing levels of rent arrears, housing insecurity and homelessness.

[i] HM Treasury, Autumn Budget 2017 (https://www.gov.uk/government/publications/autumn-budget-2017-documents)

[ii] Policy in Practice report, The Cumulative Impacts of Welfare Reform: a national picture

[iii] HM Treasury, Autumn Budget 2017 (https://www.gov.uk/government/publications/autumn-budget-2017-documents)

[iv] Local Government Association, *Work Local: Our vision for an integrated and devolved employment and skills service*, July 2017

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

[vi] Local Government Association, Autumn Budget 2017 On the Day Briefing (https://www.local.gov.uk/sites/default/files/documents/LGA%20On%20the%20Day%20briefing%20Autumn%20Budget%202017.pdf)

[vii] Policy in Practice report, The Cumulative Impacts of Welfare Reform: a national picture

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

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