POLICY BRIEFING

Welfare reform and local authorities

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Summary

• This briefing summarises a Select Committee report on the Implementation of welfare reform by local authorities and highlights its recommendations.

• The report welcomes the localist dimension to the reforms and the contribution of local authorities to local welfare provision. It reflects evidence of concerted local efforts to implement the changes on time.

• Four key areas are identified for Government action: closer interdepartmental working; better assessment of the cumulative impact of the reforms on local funding; mechanisms to ameliorate the housing support payment changes, and; the fitness of ICT systems.

• Local members will want to be aware of the reforms and their implications for both the authority and local people. Officers in social services and housing (administration and provision) will value the administrative insights and recommendations to Government.

Briefing in full


The Welfare Reform Act 2012 will, in the view of the House of Commons Communities and Local Government Committee, bring about the most significant changes to the welfare system in 60 years. In particular:

• the introduction of Universal Credit (UC) - subsuming income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits and Housing Benefit into a single unified payment;

• the replacement of Council Tax Benefit (CTB) with the local authority administered Council Tax Support;

• the abolition of discretionary Social Fund Crisis Loans and Community Care Grants and transfer of funding to local authorities to provide local support.
Localisation issues in welfare reform

Two years ago, the Committee conducted an initial inquiry into all aspects of the implications of the Welfare Reform Bill for local government, Localisation issues in welfare reform. Implementation issues gave particular cause for concern:

- the potential negative impact of direct payment arrangements for the housing aspect of UC on social landlords and the availability of finance for investment in the social housing sector;
- the introduction of unnecessary complexity in the separation of CTB from Housing Benefit under UC;
- the overly short timescale proposed for the changes to CTB;
- inaccuracies in the calculations of local funding to replace the discretionary Social Fund would not address demand.

Implementation of welfare reform by local authorities

This follow-up inquiry re-examines the issues, prompted by reports of concerns about the implementation process. It draws on the 2011 Report and takes account of the new evidence received during December 2012 and January 2013.

The report identifies 5 key pressure points. They are reflected in the structure of the report which addresses each one in turn. Recommendations focus on central Government actions to ease the process as it is rolled out with effect from April 2013.

Departmental co-operation

Given the volume of changes and the timescale for implementation, the Committee examines the extent to which the Department for Work and Pensions (DWP) and Department for Communities and Local Government (DCLG) are working sufficiently closely to provide the joined-up policy and guidance required by local authorities.

It acknowledges the steps being taken but finds scope for improving liaison and support. It recommends the Departments, in co-operation with local authorities, to test their systems and to make improvements swiftly. It advises them not to underestimate the tasks being asked of local government and suggest they should be ready to provide additional support if necessary.

The Committee supports the extended implementation period, urging certainty about the time-table and the publication of any national guidance well in advance of the implementation dates so that local authorities can fully understand the changes and make appropriate, informed local decisions. It points to local authority evidence that the late production of guidance on the reforms now being implemented has undermined consultation plans and increased costs as councils had to accommodate late national changes at the last minute.
The level of public awareness and understanding among benefit claimants will have an impact on the effectiveness of implementation. Whilst local authorities will take a lead on communicating the specific local changes, a wider role remains for central Government to highlight the scale and importance of the changes, through advertising and via information relating to UC.

**Housing benefit**

Changes to Housing Benefit are being phased in over a period of time and, given the importance of the payments to ensuring claimants’ security of tenure, it is especially important that the planned changes are effectively and efficiently implemented.

Evidence to the inquiry was broadly supportive of the changes to housing benefit so the Committee focuses on the practical consequences of paying the housing element of UC direct to tenants on both tenants and on the financial viability of housing associations.

- **Exceptions and vulnerable tenants**: under the new arrangements, two categories of tenants will not have the housing part of UC paid directly: those who go into arrears and “vulnerable” tenants. The Government has yet to clarify these exceptions or provide a definition of “vulnerability” and is urged to do so with haste, and to ensure the potential for local flexibility in application.

- **Arrears and collection costs**: housing payments direct to claimants could lead to increased arrears and collection cost for housing associations if adequate safeguards against non-payment are not in place. An automatic arrears trigger for switch-back is suggested, similar to that available under the Local Housing Allowance. It is further proposed that the rollout of Direct Payments should start with a temporary switch-back mechanism of six weeks of arrears, later moving to eight weeks, in order to address housing association concern about initial levels of arrears and collection costs. The Committee urges the Government to set a level of arrears it thinks sustainable for housing associations in the medium to long term and a level at which it will consider introducing additional safeguards or limiting the use of Direct Payment.

- **Payment in arrears**: because the housing element of UC will be paid one month in arrears, claimants begin their tenancy four weeks in arrears. This reduces cashflow for housing associations and may require many to change their weekly systems to monthly. The Government is urged to hold urgent discussions with the Local Government Association (LGA) and the National Housing Federation (NHF) to agree: how best to manage these implications and fund any reduced cash-flow; any additional measures to help tenants to reduce any arrears, and; to develop methods to encourage more people, particularly benefit claimants, to engage in financial education.
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• ‘Jam-jar’ accounts: DWP plans to encourage new budgeting or “jam-jar” accounts that allow tenants to see benefit payments moving in and out of their account without the risk of spending it on other things, are welcomed. More information is sought on how the accounts would work and who pays for them.

• The pilots: in order to minimise the risk of unexpected additional expenditure and the need to make unplanned changes after implementation, the results of the Direct Payment pilots now underway should be published in time to inform the national rollout starting in October 2013.

In addressing Social Sector Size Criteria (the ‘bedroom tax’), the Committee refers to what it regards as the fundamental, long-term failure to build sufficient homes. It repeats the recommendations made in its earlier report, Financing of New Housing Supply, and argues that existing stock cannot be used effectively when there are simply insufficient suitable properties available. It recommends:

• local authorities and housing associations to develop policies and incentives to encourage tenants to move into suitable smaller properties and reflect the need for such properties when developing new stock.;

• the Government should look at the impact on people with disabilities and parents who care for children part-time.

Localisation of the Social Fund

The Committee considers whether local authorities have been given sufficient time and funding to set up properly tailored local schemes in place of the Social Fund (SF). It recommends that the Government make available to local authorities, as soon as possible, all the information they need about current SF spending locally so that they can accurately assess the level of local provision needed.

Local SF provision is a new area of work for local authorities. Taken together with DHP, they represent a major change in local costs, the demand for which is difficult to forecast. The Government is tasked with ensuring that local authorities are given the funding they need to set up and administer local support schemes and deal with reasonable demands for DHP from 1 April. 12 and 24 month reviews with the LGA are suggested to monitor the level of support required and agree additional funding if local authorities are incurring reasonable, unfunded costs.

The Committee recommends that local authorities be required to make information about their SF spending available in a format that aids local accountability for their use of SF resources. At national level, the Government should use the information for high level monitoring over the next five years, assessing the use of the resources and any gaps in provision for vulnerable claimants from 1 April 2013.

No evidence was heard to support fears that the localised arrangements would prompt ‘benefit chasing’. The report does reflect concerns raised for some specific
local authority areas, especially those with significant transient populations such as rough sleepers. It recommends Government guidance on whether local authorities have any responsibility to provide assistance, in the absence of the national SF, to rough sleepers moving into their area and how to apply such provision to rough sleepers who have recently received support from another local authority.

‘Local connection’ criteria should be included in local SF provision to ensure that individuals, displaced from their homes by domestic violence, can access support.

**Localisation of Council Tax Support**

Given pressures on local authorities to make savings on their Council Tax Support (CTS) schemes, many are commended for setting the taper to incentivise claimants moving into work at the Government guideline of 20 percent. However, the grant currently available to assist the new schemes is not due for repeat in 2014-15. This will increase the pressure on local authorities to increase the taper rate and, in result, undermine the incentive to work.

Further details are requested from Government on the numbers of local authorities applying the CTS taper to net, rather than gross, income and combining it with the UC taper. An estimate of how many claimants will have more than 95 per cent of their additional earned income deducted is also sought. The Committee anticipates the need for stronger guidance to local authorities if the taper device is to support the Government’s work incentive ambitions.

Despite the introduction of UC and single payment, claimants will still have to make two separate applications for UC and CTS to two separate bodies. This risks confusion amongst claimants and duplication of administration.

The DWP should ensure that its guidance to UC claimants makes this clear. It should also prioritise the development of systems that can transfer its UC information to local authority CTS systems, passporting claimant information between the two rather than requiring duplicate information being submitted to two separate bodies.

The report assesses the design of local schemes and the national policy constraints.

Inquiry evidence suggests that 58 of the 326 local authorities in England will replicate the existing system. The other 268 schemes will include changes that will reduce the amount paid out in CTS, with an average loss per year to claimants of £130.

The Government’s grant to assist local authorities with certain CTS schemes is welcome. However, its late announcement, one-off availability and restrictive criteria have added confusion and uncertainty into the development of local schemes, and put it beyond qualification for 41 per cent of local authorities which will need to meet the full cost of the schemes through cuts elsewhere.
Implementation

The report considers the administrative challenges for local authorities, the level of financial risk to councils and the operation of ICT systems in implementation.

The changes will not reduce benefit administration costs for local authorities nor has the DWP defined the level of local authority involvement in administering the housing element of UC. The Committee argues that the Housing Benefit Administration Grant should not be withdrawn until the actual local costs of developing and administering the welfare changes are known. Further, local authorities should be given certainty over their level of administrative funding throughout this Spending Review period.

The Government must, as a matter of urgency, detail the administrative changes required of local authorities and the timetable. This will allow them to give staff and contractors the certainty that they deserve and need, if they are to provide continuity of service and key staff, and minimise the system’s vulnerability to fraud in transition.

Despite Government assurances as to the robustness of the new IT system for UC in terms of housing benefit fraud detection, the Committee remains worried that it is still in development. Similarly, DWP assurances that the ICT system ATLAS can cope with national/local data transfer contrasts with local evidence suggesting that its operation is ‘more a matter of luck than planning’.

Insufficient attention has been given to ensuring local authority system compatibility with ATLAS or indeed local satisfaction with ATLAS. The report highlights the crucial importance of the ICT systems being integrated and working efficiently in time for the changes, and the enormous consequences of failure.

Moving claims and services online may reduce costs for both central government and local authorities in the longer term. However, a ‘digital by default’ system should not be at the expense of vulnerable claimants. Transitional funding should be available to ensure this is not the case. Either local authorities or advice charities should take the lead in delivering support services and the Government specify the funding available within the next five months.

The report ends by recommending that the Government’s promised assessment of the total cumulative cost to local authorities of its reforms is comprehensive, includes an indication of additional funding where additional burdens are identified and forms part of the recommended LGA review meetings.

Related briefings

Welfare Reform Update (December 2012)
Welfare Reform Act 2012 (March 2012)
Localisation issues in welfare reform : CLG Committee report (November 2011)
The Welfare Reform Bill (February 2011)
Comment

The welfare reforms continue to inspire a number of parliamentary inquiries. The CLG Committee’s focus is unique in approaching the changes from the perspective of local authorities. Its consistent emphasis on the importance of well-planned policy and financial support, and the welfare of claimants and hard-pressed families, is especially welcome.

The Committee is clear in its commendation of local authorities’ valuable contribution to planning and targeting local welfare provision and recognises their long track record of delivering major reforms. However, it urges the Government not to underestimate the significance, timetable and volume of the changes now underway and to improve the support available to local authorities, with urgency.

The inquiry, and the report, take a measured, constructive and pragmatic approach to the reforms. Whilst this may disappoint politically, it is of real practical assistance. Local authority members as well as officers in housing, social care and welfare will all benefit from the insights it gives as to the different approaches being taken and issues being raised around the country. At strategic level, they will especially welcome the pressures now being brought to bear on the Government, and the DWP in particular, to listen to local authorities and improve the policy and financial support available.

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