Summary

- This briefing is a further update on developments in welfare reform in selected aspects up to early August 2014.
- Covered are latest statistics and analyses on the benefits cap, the social sector size criteria, the Work Capability Assessment, and progress in Personal Independence Payments (PIPs). The DWP has published interim evaluations of the benefits cap and the social sector size criteria, and more data is available from reports published by Real Life Reform and the Joseph Rowntree Foundation.
- There is also an update on Universal Credit implementation, an update from the latest statistical release on the Work Programme, and commentary on the new sanctions regime. JSA sanctioning activity is currently running at record levels, but the information and communication aspects of the regime have been subject to a review conducted by Matthew Oakley.
- There is a lengthy section on how local government is involved in the welfare reform programme, notably through the Direct Payments Demonstration Projects and the Universal Credit Implementation Pilots. Despite delays in Universal Credit implementation, there are updates on developments in the Local Support Services Framework (LSSF) with local support services trials expected to be up and running by September 2014.
- By March 2014, just over 1,553,000 claimants had been referred to the Work Programme, of which just over 848,000 are still on the scheme. There has been a rise in the proportion of claimants referred to the programme attracting a job outcome payment and there has been some improvement in performance for ESA claimants.
- Other aspects of the reform programme have encountered difficulties, notably in delays in the Work Capability schedule and the collapse of the Atos contract.
- This briefing will be of most interest to councillors and members in all types of authority with an interest in social services, welfare, housing, finance, and poverty reduction.
Background

The main provisions of the Welfare Reform Act 2012 and other reform measures have been dealt with in earlier LGiU briefings. For convenience, the four key features of the current reform package are summarised as follows:

- First, much of the current mix of out of work and in work working-age benefits is planned to be replaced by a single Universal Credit, meant to improve both intelligibility (simplification), and work incentives; this part of the package was the main focus of the 2012 Act.
- Second, there is in progress a transfer of claimants from benefits related to disability or illness through a re-assessment of work capability, extending work conditionality to a wider group of claimants than hitherto; conditionality has also been extended to lone parents with youngest children over the age of 5.
- Third, the Coalition has introduced a single welfare to work programme for the most disadvantaged (the Work Programme, or WP), in which the risk of underperformance has been absorbed by contractors to an unprecedented degree.
- Fourth, there is an on-going programme of reduction in the coverage and value of working-age benefits.

A large number of changes have been made under the fourth of the items listed above. Through these, the Government hopes to save £18bn in 2014-15 and a further £3.7bn in 2015-16 from the welfare budget. These changes include:

- Restricting the annual uprating of many working age benefits to 1%
- Lowering the rates for Local Housing Allowance (LHA)
- The Benefits Cap
- Means testing Child Benefit limiting contribution-based ESA
- The Social Sector Size Criteria (SSSC)
- Replacing Council Tax Benefit (CTB) with Council Tax Support (CTS)
- Restrictions on Working Tax Credits
- Raising the deduction rate for non-dependents

Savings are also intended to made through the replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIPs).

The following sections examine what is known so far about the consequences of these changes in some selected aspects, in particular, about the benefits cap, the social sector size criteria, the Work Capability Assessment, and progress in PIP implementation. There is also an update on Universal Credit implementation, the
Work Programme, commentary on the new sanctions regime, and local government’s involvement in the reforms. Two important changes affecting local government - the ‘localisation’ of Council Tax Benefit (CTB) and the Social Fund - have been dealt with in earlier briefings (see related briefings on Council Tax Support and Monitoring DWP Performance in 2012-13). Support for housing costs has also been dealt with in detail in earlier briefings.

The Benefits Cap

The benefit cap applied initially in April 2013 to a limited number of local authority areas in London but has been extended to all local authority areas in Great Britain by the end of September 2013. It applies to the combined income from a package of thirteen working-age benefits, including Jobseeker’s Allowance (JSA), Income Support, Employment and Support Allowance, Severe Disablement Allowance, Child Benefit, Housing Benefit and Child Tax Credit. Households where at least one person is in receipt of Working Tax Credit (WTC) are exempt, and there are a small number of other exceptions, notably where a household member is in receipt of Disability Living Allowance or the support element of Employment Support Allowance (see below). Claimants living in most types of supported accommodation are also exempt.

The cap was expected to deliver savings of £110m in 2013-14 and £185m in each of the following four years, but these expected savings were revised downwards in Budget 2013 along with downward estimates of the numbers of households affected.

In practice, the cap is administered through Housing Benefit, and impacts have been most severe in areas of high housing cost and on large families.

The level of the cap is:

- £500 a week for couples (with or without children living with them)
- £500 a week for single parents whose children live with them
- £350 a week for single adults who don’t have children, or whose children don’t live with them

In October 2013 the Chartered Institute of Housing (CIH) published research into the initial impact of the cap in Haringey: Experiences and Effects of the Benefit Cap in Haringey. A summary of the report is available in related briefings. The findings led the CIH to conclude “The government’s benefit cap will struggle to deliver its objectives of saving taxpayers’ money and encouraging people into work.” In the same month, the DWP published the document: The Benefit Cap: Public Perceptions and Pre-implementation Effects. The survey found strong public support for the cap if it results in reduced spending or encourages those affected to take low paid jobs, but support was found to weaken if the policy requires people to spend less on household essentials or move to cheaper accommodation in alternative areas.
The DWP has published statistical analyses of the impact of the cap since October 2013. The analyses distinguish between the cumulative number of households affected by the cap since its introduction and the total number of households affected at a particular point of time because the former does not account for households which have subsequently flowed off the cap. However, the snapshot statistics include households that left the cap but have subsequently been re-capped.

The latest set of statistics (available [here](#)), covering the period April 2013 - May 2014 was published in August 2014. Detailed breakdowns are available for local authority areas via the DWP’s Stat-Xplore facility.

Over the period, 45,847 households had their housing benefit capped, 46 per cent of which were in London. The snapshot figure for May 2014 was 27,019, a number which since late 2013 approximates to a monthly average. Of the top 20 local authorities with the highest number of households affected by the benefit cap, only one (Birmingham) was outside London.

In the snapshot figures, the vast majority (95 per cent) of those affected are households with children. About 61 per cent have four or more children. The largest single group affected (16,004 households, or 59 per cent) are single parent households. About 79 per cent of capped households were capped by £100 or less, although a very small proportion (1 per cent) was capped by over £300.

Figures for off-flows, and the reasons for them, are now available. As reasons for off-flows are various, and may occur simultaneously for the same household, the reported figures show the ‘main’ reason for the off-flow. In May 2014, 18,828 households (41 per cent of the cumulative total) had flowed off the cap, 39 per cent of which because they had opened a claim for Working Tax Credits. Other important reasons included a change in household income (including either the Housing Benefit amount claimed, or other non-Housing Benefit income), and eligibility for an exempting type of benefit. According to the DWP statistical release, opening a claim for Working Tax Credits is a ‘proxy’ for moving into work.

The DWP has committed to evaluating the impact of the cap, and has commissioned Ipsos MORI to conduct a longitudinal survey of those who are or have at some point been affected, and their responses. The first report, available [here](#) (headline results) was published in April 2014. A follow-up survey is currently in progress to identify medium to longer term impacts and responses. In the first report, those currently affected were most likely to say they had spent less on household essentials (32 per cent) and looked for a job (25 per cent). Respondents were more likely to say they planned to look for a job to deal with the benefit cap (45 per cent), and a much smaller proportion (10 per cent), said they planned to spend less on household essentials, while 9 per cent said they planned to look for another property in the social rented sector.

Respondents were asked whether they have been doing more, less or the same amount of work-search activity (either a new job or extra work) since becoming affected. Nearly two in five (38 per cent) of those currently affected said they spent more time whilst 52 per cent said that time in work search activities was about the
same. Two in five (40 per cent) of those currently affected said they had been more encouraged to find paid work, but 47 per cent said the cap made no difference. The most mentioned barrier to finding work among those affected by the cap was the availability or cost of childcare. This was mentioned by 38 per cent of respondents, rising to 52 per cent of one-parent families with two or more children. Caring for a family member was mentioned by 21 per cent of respondents, closely followed by poor health (20 per cent), a lack of qualifications or experience, and lack of available jobs.

Just over two in five (42 per cent) of affected respondents said they were currently looking to move from their accommodation. Of this group, just over half (52 per cent) said the reason they wanted to move was mainly because of the changes resulting from the cap. Close to half (48 per cent) of those looking to move cited cost as the main barrier, and a further 17 per cent said that there were not enough properties of suitable size.

In the report, it is stated that one in seven (14 per cent) said they had never run out of money since being affected by the cap, while 6 per cent said they didn’t know. It is left to the reader to infer that 80 per cent did run out of money, the most common response to which was borrowing from friends or family, going without meals, saving on heating or energy, or delaying paying other bills. Among those affected by the cap, 41 per cent said they were in arrears with their rent, among whom 67 per cent reported that their rent arrears had increased since the cap.

Another longitudinal study on the impact of welfare reform on social housing tenants is available on the website Real Life Reform. The study has been reported on in earlier briefings (see related briefings). The latest report, published in July 2014, shows a high proportion of households in debt, with more people now in higher debt, and a significant increase in the use of payday lenders and of food banks. Of the 12.5 per cent who had used a food bank, 40 per cent were employed. The next report in the series is due in September 2014.

Similar conclusions on the impact of the reforms on social housing tenants were arrived at in a report published by the Joseph Rowntree foundation (here) published in June 2014. The report dealt with the impact on both social landlords and tenants, noting a widespread increase in poverty, anxiety, insecurity, and fear of more evictions. People mostly rely on family and friends for help, but they resort frequently to borrowing and debt problems are mounting. Both tenants and landlords expect evictions to rise. Social landlords are providing advice on jobs, training, and benefits, tackling fuel poverty and meeting financial crises through hardship funds and support for food banks. However, it is claimed that they are also intensifying scrutiny of new applicants for new affordable tenancies to ensure they can pay higher rents and service charges. The financial pressures on social landlords arising from welfare reform are raising doubts over their future development plans and they are trying to reconcile their financial viability with a commitment to house low-income tenants.
The Social Sector Size Criteria (SSSC) is a compromise term coined by the Work and Pensions Committee (WPC) to describe what its opponents call the Bedroom Tax and its supporters the Removal of the Spare Room Subsidy (RSRS). The Liberal Democrats and the Labour Party have effectively declared their opposition to the SSSC/RSRS.

The Removal of the RSRS/SSSC reduces Housing Benefit for social tenants of working age with more bedrooms than they are deemed to need. Household members are required to share a room if they are:

- a couple
- both aged under 10 years old
- both aged under 16 years old and of the same sex.

No more than two people should have to share any room. An additional room is also allowed in certain circumstances for regular overnight carers, foster carers, students or members of the armed forces away temporarily, disabled children unable to share a bedroom and people who are recently bereaved.

Those deemed to have spare rooms have had their rent eligible for Housing Benefit reduced by 14 per cent for one spare bedroom and 25 per cent for two or more spare bedrooms.

The objectives of the RSRS/SSSC are to reduce expenditure on Housing Benefit, to reduce under-occupation within the social sector in order to release dwellings for people who are homeless or living in overcrowded conditions (and in terms of allowances per bedroom, bringing the social sector into line with benefits in the private rented sector), and, as with the benefits cap, to improve work incentives.

In July 2013, the DWP published an interim evaluation of the RSRS/SSSC (available here). The report presents the early findings, covering the first eight months of implementation, from April to November 2013. A follow up survey of the affected claimants and further survey of landlords and case study work will be undertaken during 2014 to input into the final report due in 2015. Among the objectives of the study is the evaluation of the extent to which increased mobility within the social housing sector leads to more effective use of the housing stock, resulting, for example, in reduced overcrowding, and waiting lists, and the extent to which, as a result of the RSRS/SSSC, more people are in work, working increased hours, or earning increased incomes. It also examined responses among landlords, tenants, and a range of voluntary and statutory organisations.

According to DWP data used in the report, there was a total of 547,341 households affected by the RSRS./SSSC across Britain in May 2013, falling slightly to 522,905 by August 2013. As the overall size of the social housing sector in Britain is around 4.71 million dwellings, this means that 11.6 per cent of all tenancies were affected by the RSRS/SSSC in May 2013, falling to 11.1 per cent by August 2013.
In the study, around four fifths of affected households were paying some or all of their rental shortfall that had arisen as a consequence of the RSRS/SSSC, though only half of those had paid it in full. Landlords were most concerned about the one in five tenants who had paid nothing in the first six months, who could face eviction procedures. However, there had not, at the time of the research, been significant numbers of evictions resulting from the RSRS.

The four fifths who were paying all or some of their shortfall were doing so with difficulty. More than half reported cutting back spending on what they deemed essentials in order to pay their rent. Local advice agencies were concerned about the consequences for people on very low incomes who were trying to budget with less money than they had before.

Landlords surveyed for the research had seen rent arrears rise in the first five months following the introduction of the RSRS/SSSC and also report increased costs of rent collection and recovering rent arrears, although a more recent survey conducted by the Homes and Communities Agency reported a small reduction in rent arrears of current tenants during the last quarter of 2013.

Many landlords were concerned that a loss in rental income could reduce their ability to develop new housing in the future, but it did not yet appear to have affected their relationship with their lenders, who do not believe that default on loans was likely. Concerns around large scale reclassification of properties, or landlords knocking down walls proved to be largely unfounded - such activities were of very small scale.

Most claimants affected by the RSRS/SSSC said they would prefer to stay in their home, for reasons of proximity to family, schools, work, or support services. About 19 per cent said they were currently looking to move home and around a fifth of these had downsized during the first six months of operation, a rate of downsizing much higher than previously seen. Downsizing rates were lowest in the areas with the highest proportion of tenants affected. Some of the areas with high levels of under-occupation were also generally the areas reporting difficulties in letting some of their larger homes, though there is not as yet any evidence on increased void levels. The report's authors note that it is difficult to see how landlords in these areas could meet the needs of their local population without some major restructuring of their housing stock, by selling off or remodelling larger homes, or letting homes as shared houses. There is little evidence of these kinds of activities as yet.

Moves into the private rented sector have been low in number so far, and concentrated in the areas where the price differences between social and private rented homes are modest.

Most revealing was what was discovered about the impact on social housing waiting lists. The RSRS/SSSC has caused a substantial change in the size of social rented homes required to meet needs. Landlords have reduced the extent to which they over-allocate homes to households who would be affected by the RSRS/SSSC. These factors have caused an increase in the number of households now only eligible for one bedroom homes, many of whom would previously have been allocated two bedroom homes, causing difficulties for single people in housing need.
Conversely, there has been some benefit from the RSRS/SSSC reported for families eligible for three bedroom homes in particular, who have benefited from downsizers vacating larger homes, and a smaller number of other households now considered eligible.

Some claimants, especially those on JSA, reported that they had looked for work in response to the RSRS/SSSC, and many of those in work have sought to increase their hours, though only modest numbers would appear to have been successful in the first six months.

As with the benefits cap, the RSRC/SSSC has been the subject of a Joseph Rowntree report published in June 2014 (here). The report confirms that there are substantial constraints in meeting downsizing transfer requests and also concludes that benefits savings are likely to be significantly smaller than envisaged.

**Employment Support Allowance and Work Capability Assessments**

Employment and Support Allowance (ESA) was introduced in October 2008 for working-age claims on the grounds of illness or incapacity. It replaced Incapacity Benefit (IB) Income Support by virtue of a disability and Severe Disablement Allowance (SDA). Unlike the benefits that preceded it, ESA introduced a mandatory work-related element, designed to enable claimants to eventually move off benefits.

ESA claimants deemed to have limited capability for work are placed in the Work-related Activity Group (WRAG), and people deemed to have limited capability for work-related activity are placed in the Support Group, where they are subject to no work-related conditionality.

The Work Capability Assessment (WCA) was introduced to determine whether a claimant fell into either the WRAG or Support Group, or is fit for work, in which case they could be transferred to JSA. The face-to-face assessment was carried out by Atos Healthcare, a private company with which DWP had a long-standing contract for medical assessments.

In April 2011, the Government began reassessing people entitled to Incapacity Benefits (IB) to determine their eligibility for ESA using the WCA. IB migration was expected to finish by spring 2014 but its completion has been delayed.

In the 2007 legislation underpinning ESA, the Secretary of State is required to lay an independent report before Parliament each year for the first five years of the WCA's operation. Three independent reviews have been published by Professor Malcolm Harrington in 2010, 2011 and 2012. Dr Paul Litchfield was appointed to carry out the 2013 review and has recently issued a call for evidence for the 2014 review, which will be the final one.
In a report (pdf) published on the Incapacity Benefit reassessment in July 2011, the Work and Pensions Committee (WPC) highlighted a number of concerns about ESA and the WCA, and particularly about the service which claimants received from Atos. It is claimed in a further WPC report published in July 2014 that its concerns had not been adequately addressed.

In July 2013, the DWP itself identified issues with the service Atos was providing, concerning mainly the quality of written reports on which assessments were made. In March 2014 the DWP announced that it had agreed an early exit from the WCA contract with Atos, and that new providers would be appointed later in 2014.

The enquiry on which the July 2014 WPC report was based took evidence from a large number of claimants, relatives, and support workers about claiming ESA and going through the WCA. According to the WPC many reported feeling dehumanised, ignored or questioned inappropriately. Some felt that the progress they were making towards recovery, and then moving back into work, was hampered rather than aided by the anxiety caused in facing the WCA. Also noted was the many claimants who believed themselves in an outcome group which did not reflect their health barriers to employment, because the current system is not sufficiently sophisticated to cope with the wide variety in prognosis and impact which arises from the huge range of conditions which claimants present with.

In the July 2014 WPC report, it was concluded that the WCA is flawed in that it frequently fails to provide an accurate assessment of the impact of a claimant’s condition on their fitness for work or work-related activity. It was claimed that the outcomes of the ESA claims process are too simplistic, in that the WRAG comprises a large and disparate group of claimants who are not yet fit for work, and may even have a deteriorating condition, but who are required nonetheless to undertake work-related activity. The WPC went on to argue that the flaws in the existing ESA system are so grave that a fundamental redesign of the ESA end-to-end process is required, including its outcomes and descriptors and with a focus on the purpose of ESA, that is, helping people move back into work where possible. It should ensure that the health barriers to employment are properly identified, and that employment support needs are effectively evaluated. In the short term, the DWP should reintroduce an assessment of health-related employment barriers, and incorporate this type of assessment into the redesigned ESA process.

Other recommendations for the short-term were:

• The DWP should take overall responsibility for the end-to-end ESA claims process, including deciding whether a face-to-face assessment is required
• The DWP should proactively seek supporting evidence on a claimant’s condition, rather than leaving it to claimants, who often have to pay for GPs to provide it
• Greater use of paper-based assessments to place people in the Support Group
• Clearer communication with claimants throughout the process, including on their right to ask for reconsideration or to appeal the decision.
A high percentage of ESA decisions have been challenged at appeal and a significant proportion of these decisions are overturned by tribunals. The WPC argued that a reasonable timescale should be set for Mandatory Reconsideration (MR) by the DWP of challenged outcomes before they go to tribunal, which are at present open-ended. The current arrangement whereby claimants seeking MR are required to claim Jobseeker’s Allowance (JSA) instead of ESA should be abolished.

Personal Independent Payment (PIP)

In April 2013, the DWP introduced Personal Independence Payment (PIP), a new non-means tested benefit to replace Disability Living Allowance (DLA) meant to support people, both in and out of work with the extra costs of living associated with a disability. Children and those over 65 years old will continue to receive DLA.

The reason for replacing DLA with PIP is to match support more closely to assessments of claimants’ needs. For non-terminally ill working age claimants there will be no longer be any specified conditions that give people automatic entitlement. Awards that last two years or longer will be periodically reviewed. All terminally ill claimants automatically qualify for the daily living component but awards are time limited.

In 2012-13, the DWP spent £13.7bn on DLA for 3.3 million claimants, but estimated that working-age claimants accounted for £7bn of DLA payments and 2 million claimants. In its business case published in May 2013, the DWP set out an expectation that 600,000 fewer people would receive PIP by May 2018, compared with its projections for DLA. It was expected this would lead to annual savings in benefit spending of £3bn from 2018-19, and that savings during the Spending Review period to April 2015 would be £640m.

The DWP administers and awards claims for PIP but it pays private sector contactors to assess claimants’ needs. Atos and Capita conduct face-to-face consultations, or paper-based assessments, against criteria set by the DWP.

The DWP started taking new claims in parts of the North of England from April 2013 and nationally from June 2013. From October 2013 it had planned to reassess DLA claimants whose claim requires a review (known as ‘natural reassessment’, this includes instances where claimants report a change, where fixed term awards are due to expire, or where children turn 16 years old). Between October 2015 and October 2017 it had planned to reassess the remaining DLA claimants (known as ‘managed reassessment’). It was expected that by the start of 2018 the DWP would have received 1.7 million PIP claims from existing DLA claimants alongside 1.9 million new claims.

In February 2014, the National Audit Committee (NAO) published a report on progress in the transition to the new benefit. Its findings were taken up by a report...
POLICY BRIEFING

published by the Public Accounts Committee (PAC) in June 2014 (available here). According to the PAC, of the 9,100 new claims made by June 2013, assessment providers had completed only 660 assessments and only 360 decisions had been made. By September 2013, claimants faced long delays in assessments and in hearing a decision on their claim. By October 2013, the DWP had only made 16 per cent of the decisions it had expected and it postponed the rollout of most reassessments, largely because of its concerns about the assessment providers’ ability to deal with backlogs. It also needed time to consider further Atos’s ability to handle an increased volume of claims. The DWP was yet to announce when reassessments will be rolled out at the time the PAC report was published.

Among the recommendations made by the PAC was that the DWP should challenge exaggerated or inaccurate claims made in bids by contractors to undertake assessments. This was in the light of revelations that Atos had stated in its bid that it had agreements in place with a national network of 56 NHS hospitals, 25 private hospitals and over 650 physiotherapy practices to provide assessments. Atos had stated that potential subcontractors had given their consent to being named in its bid, and in one statement, described partners as having ‘contractually agreed’ to provide accommodation. Atos later admitted that it did not have binding contracts with subcontractors. Two organisations named in its bid had not given their consent to be named. Other health trusts stated they had not reached any agreement or understanding with Atos to provide facilities or staff. The PAC claimed that the DWP had rushed the introduction of PIPs and did not pilot the benefit process adequately. The process has proved inaccessible and cumbersome for claimants. Concern was expressed that many disabled people had experienced long and unacceptable delays in the assessment and granting of their PIP payment.

Universal Credit Implementation

Universal Credit involves not only a re-alignment in the way in-work benefits are combined, but also substantial changes in the delivery and administration of benefits. In most cases, benefits will be paid to one person in the family whether single, a couple, with or without children. Claimants will make a single application for Universal Credit and the vast majority of claims, notifications of changes in circumstances, and payment checks will be made online using an automated system. Payment will be monthly in arrears, and rents will be paid directly to tenants. All of this involves considerable investment in technology and alterations to existing systems of benefits administration. In the original plan, full implementation was meant to be complete by 2017.

Earlier briefings have set out progress in Universal Credit implementation.

In December 2012, Universal Credit was scheduled to go live as pilots in Tameside, Oldham, Wigan and Warrington council areas in April 2013. The intention was to roll out Universal Credit across the country in October 2013. However, the Government ‘reset’ Universal Credit in early 2013, because of the Major Projects Authority’s serious concerns about programme implementation. A limited pilot was started in
April 2013 (in Tameside council area), and extended to the other three scheduled areas at the end of July 2013. The scope of the pathfinder was narrower than originally planned, covered only the simplest new claims, and included limited IT functionality.

Instead of the introduction of Universal Credit for all new out-of-work claims in October 2013, a further six pathfinder sites were added, among which only Hammersmith Jobcentre had begun taking claims. Rugby and Inverness Jobcentres started taking UC claims in November 2013, Bath and Harrogate in February 2014, and Shotton in April 2014. In June 2014 the DWP announced the roll-out of Universal Credit to all Jobcentres in the North-West, to be complete by early 2015. On 16 July 2014 the DWP announced that Universal Credit would be open to couples, thereby extending it from the simplest cases of single households. These later changes were in line with the revised plan announced in December 2013, which in addition included plans for Tax Credits to be subsumed into UC for claimants in the North West when the system was operating effectively, probably in 2016. It would then be widened to other regions.

In its evidence to the Work and Pensions Committee (WPC), the DWP indicated that by the end of 2014 the number of UC claimants would be “into tens of thousands”. However, in its April 2014 report (see related briefings) the WPC expressed some scepticism about the revised timetable for UC implementation, especially in the light of comments made by the National Audit Office about the readiness of the proposed IT systems. The WPC noted that by 20 March 2014, under the revised and much more limited implementation programme, there were 4,280 people claiming UC in the Pathfinder at the end of December 2013 (the latest DWP statistical release indicates a caseload of 6,570 at the end of May 2014). The WPC pointed out, in order to illustrate the scale of the implementation challenge, that 241,500 individual claims for JSA were accepted in January 2014 and the total claimant count for JSA in that month was 1.22 million. It remarked that it was difficult to envisage how the volumes required to meet the most recent timetable were to be achieved.

In its response the WPC’s report (available here), published in June, the Government stated that:

“The transition from the current system of benefits and tax credits to Universal Credit will be gradual. Progressive national rollout started in October 2013 and will be fully available in each part of Great Britain during 2016, having closed down new claims to the legacy benefits it replaced; with the majority of the remaining legacy case load moving to Universal Credit during 2016 and 2017”.

In its response to the WPC’s recommendation that the DWP make its revised business case available to the Committee, the Government stated that it is not normal practice for governments to share business cases, although it “would be happy for DWP officials to meet with the Committee”.

On 19 August the Public Accounts Committee (PAC) published a report on the Major Project Authority (here). It welcomed the role of the MPA and the progress it has
made in strengthening project assurance and improving transparency. It was noted that the MPA’s portfolio includes “high-profile and extremely challenging projects such as Universal Credit and the Queen Elizabeth aircraft carrier programme”. On Universal Credit, the PAC expressed concern that the decision to award a ‘reset’ rating “was an attempt to keep information secret and prevent scrutiny”. The ‘reset’ category was introduced in the MPA’s 2013-14 report and was only applied to one project (Universal Credit). The MPA confirmed that the decision to give Universal Credit a reset rating was ultimately made by ministers. It also confirmed that Universal Credit would still be subject to its assurance reviews and that a normal delivery confidence assessment would be published in May 2015.

Universal Credit Implementation, Welfare Reform, and Local Government

The DWP has repeatedly stressed the importance of local government in assisting the transition to the new system.

In February 2013 it published: Universal Credit: Local Support Services Framework (see related briefings) which set out what assistance it required from local government in implementing the transition to Universal Credit and the resources that would be available.

In August 2012, twelve local authority led pilot areas, set up to inform the design of Universal Credit and its roll-out and to support local authorities in their planning, were announced as follows:

- Bath and North East Somerset Council
- Birmingham City Council
- Caerphilly County Borough Council
- Dumfries and Galloway Council
- London Borough of Lewisham
- Melton and Rushcliffe Borough Councils (as a partnership)
- Newport City Council
- North Dorset District Council
- North Lanarkshire Council
- Oxford City Council
- West Dunbartonshire Council
- West Lindsey District Council

Two further pilots by Oldham Council and Wigan Council were intended to be run as part of the Universal Credit Pathfinder preparations.

From March 2013, early findings from each of the pilot areas became available, and are summarised in a DWP report published in July 2013 (available here). The report, in which there are thirteen local authority pilots (Melton and Rushcliffe being listed separately) dealt with findings under the following headings:

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POLICY BRIEFING

- Digital inclusion
- Budgeting and financial management support
- Work access
- Vulnerable groups and the triage process
- Partnership development
- Data sharing

In addition, six local authority and housing association demonstration projects were created meant to test the direct payments of Housing Benefit (or housing cost support as it will become) to social housing tenants. The projects, announced in January 2013 and initially scheduled to run between June 2012 and June 2013, are:

- Southwark Council and Family Mosaic, London
- Oxford City Council and Oxford Citizens, (part of the) Greensquare Group, Southern England
- Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands
- Wakefield Metropolitan Borough Council and Wakefield and District Housing, Northern England
- Torfaen Borough County Council and Bron Afon Community Housing and Charter Housing, Wales
- Dunedin Canmore Housing Association and the City of Edinburgh Council

Each is involved in testing out different elements of the direct payments, including different trigger points when social landlords should receive direct payments if tenants fall into specified levels of arrears.

The Direct Payments Demonstration Projects (DPDPs) have been subject to some systematic evaluation, the initial results of which were published in May 2013 (available here).

The reports of both the local authority pilots and the DPDPs were summarised in some detail in the October 2013 update briefing.

In July 2014 the DWP published a package of five further reports on the DPDPs (available here) consisting of an overarching 12 month extended learning report, which summarises the main findings from all the strands of research and analysis at the 12 month stage, three other technical reports covering rent underpayment in the DPDPs, a 2 months’ rent account analysis exercise, and the stage 2 survey of tenants. Three more reports, including the study’s final report, will be published later in 2014.

The findings show that rent payment rates fell following the introduction of direct payment. As a result, rent arrears increased during the programme as did the number of tenants entering into arrears. Although payment patterns were found to improve significantly over time, total arrears continued to rise, albeit at a slower pace. It was discovered that it is difficult to accurately forecast who will (or will not)
manage direct payment. Landlords involved in the DPDP reported costs associated with delivering direct payment over and above any additional arrears accrued. These costs were not quantified, but included additional staff time (seen as being the biggest cost), the costs of upgrading and improving rent collection and recovery IT systems, and of communicating with tenants.

For many reasons, including the reluctance of tenants to take up the support offered to them, most DPDP tenants had not received support or advice to help them prepare for or manage direct payment. Support available included budgeting advice, help or advice about opening bank accounts, and debt advice and support. Nonetheless, there is some evidence to suggest that support did make a difference to those tenants who received it.

Designing and initiating the DPDP programme took longer than anticipated. It is noted that the timetable for roll out of Universal Credit should allow for unforeseen issues.

In March 2014 the DWP published guidance for local authorities on implementing Universal Credit based on the findings of the local authority led pilots (here). The findings are listed under four headings:

- Encouraging and supporting claimants to use digital services (Digital)
- Understanding the type of financial support different claimant groups may need and how to provide it (Financial)
- Working in partnership with local organisations to provide claimants with the help they need under Universal Credit (Partnership)
- Assessing claimants’ needs at the initial point of contact and identifying those who need extra support (Triage).

The findings are summarised as follows:

- **Digital**: promoting self-sufficiency takes time and mediated support; carefully worded communications to customers, outlining the benefits and advantages of online services, supported by initial help from staff where necessary, will help to move claimants to digital channels
- **Financial**: customers prefer one-to-one interaction rather than group sessions to discuss their debt issues; customers will only get in contact when they reach or are about to reach crisis point.
- **Partnership**: mapping exercises need to be undertaken to identify partner provision within each LA and identify gaps and duplication; integration of services helped to provide better customer service and aided partnership working.
- **Triage**: scripted triage may not identify residents that need on-going support and a more flexible approach may be required; frontline staff must have the knowledge, skills, understanding and tools required for meaningful and effective triage.

In its April 2014 report, the WPC argued that the delays in Universal Credit implementation had caused considerable uncertainty for local authorities because of
the implications for them of being required to continue to administer Housing Benefit for longer than anticipated. The Government responded by pointing out that the DWP had already notified local authorities of their 2014-15 Housing Benefit Allocation and that it was engaged with representatives from the local authority associations to ensure that local authorities would be informed of their individual allocations, in sufficient time before the start of the 2015-16 financial year.

The WPC also argued that the initial version of the Local Support Services Framework (LSSF) published in 2013 lacked detail on how it would operate in practice, including its funding arrangements. It recommended that DWP ensures that detailed information about its operation and funding is set out when the final version of the LSSF is published in autumn 2014.

In its response, the Government said that is committed to providing as much detail as possible to ensure that all partners have a clear understanding of activities required and funding availability. It said trialling activity with Jobcentre Plus and Local Authority partners during 2014 will contribute to the next definitive version of the LSSF which will be published in autumn 2015. This will assist with Local Authority resource planning for 2016, by the end of which it is intended that all areas of Great Britain will go live with new claims for Universal Credit from all claimant groups. It was pointed out that the Government will share a further update of information in October 2014. Local Support Services communications were launched in April 2014 at a series of webinars.

The Government published responses to the initial February 2013 LSSF document in August 2013. An update and trialling plan was published in December 2013. In May 2014 expressions of interest in local support services trialling were invited, which closed in June. These documents are available here. In its June 2014 response to the WPC’s report, it was stated that trials will be up and running by September 2014.

Discretionary Housing Payments (DHPs) have been an important additional resource assisting local authorities to help alleviate the difficulties of the RSRS/SSSC and Benefit Cap for some of the most vulnerable tenants. The use of DHPs has been dealt with in some detail in an earlier briefing on support with housing costs (see related briefings). The impact of DHPs entered into the evaluation of the impact of the RSRC/SSSC, but the conclusions in the July 2014 report did not differ markedly from those arrived at by the WPC.

**Conditionality and Sanctions**

Despite delays to the implementation of Universal Credit, the new Claimant Commitment began to apply to new JSA claimants in October 2013. It consists of a detailed statement of job-seeking or job-preparation activity. Claimants will have to provide evidence to prove they have met the requirements in their Claimant Commitment, and those who fail to do so could face benefits sanctions. In some cases, JSA claimants could commit to search for work for 35 hours a week.
Prior to the Welfare Reform Act 2012 coming into force, the maximum period for which a JSA claimant’s benefit could be stopped for a breach of the rules was six months. New rules, which came into force following the Act, increased the maximum period of a JSA benefit sanction to three years. The requirements placed on claimants did not change.

The new sanctions regime for JSA claimants began operating in October 2012, and for ESA claimants in the WRAG in December 2012. For JSA claimants, the regime escalates from ‘low’ through ‘intermediate’ to ‘high’ depending on the nature of the violation. ‘Higher level’ sanctions are applied for “Failure to comply with the most important job seeking requirements”, which in extreme cases of repeated failure can result in the suspension of benefits for 3 years. Intermediate violations consist of a failure to be available for work, result in a disallowance, whilst lower level violations consist of failing to attend adviser interviews or participate in training schemes. For ESA claimants in the WRAG, sanctions apply to failure to attend or participate in mandatory interviews or to undertake Work Related Activity.

Under the previous system ESA WRAG claimants who failed to attend a Jobcentre appointment, or who failed to carry out agreed work-related activity, could be subject to an open-ended sanction. The sanction amount was 50 per cent of the work-related activity component of their benefit (around £14 per week), increasing to 100 per cent of the component after four weeks. Under this regime full benefit was reinstated as soon as the claimant recommenced compliance with the conditions. Under the new rules, ESA WRAG claimants who fail to comply can receive the same open-ended sanction of their work-related activity component while they fail to comply, followed by a fixed period sanction once they start to comply again. The fixed period sanction is loss of the claimant’s entire ESA basic component (£71 per week). The claimant’s work-related activity component is unaffected under the new rules.

Following an interregnum in 2013, a long time series of sanctions statistics are available from the DWP’s website, here. The last release was on 13 August 2014 and for JSA claimants begins in April 2000. For ESA claimants the series starts in October 2008. Both series go up to March 2014.

According to the summary accompanying the DWP’s statistical release, there was a total of 1.28 million decisions to apply a sanction (adverse decisions) since the start of the new sanctions regime in October 2012. Over half (56 per cent) of all decisions to apply a sanction were in the lower level group, and just under one in ten (8 per cent) in the higher group. Just under one third (28 per cent) of all decisions to apply a sanction was because of a failure to participate in the Work Programme, and 22 per cent because of a failure to attend an adviser interview. Over one third (36 per cent) of all decisions were to close the JSA claim because the claimant was not entitled to claim JSA, because the claimant was not actively seeking employment or available for work. However, the total number of combined sanction referrals and decisions was 2.81 million, because 1.53 million decisions resulted in no reduction or withdrawal of JSA (either because of a decision not to apply a sanction, a referral being cancelled, or where the claimant was no longer claiming JSA).
The time series on JSA sanctions released by the DWP show the number of adverse decisions rising in nearly every year for which a full year’s data is available (from 2001 to 2013), the exceptions being 2002-03, 2003-04, and 2010-11. Especially steep increases are noticeable between 2009-10 (from 439,104 to 672,209) and between 2011-12 (from 650,556 to 807,403). The annual total in 2013 rose to 907,495, but this last figure is in the context of a fall in the number of JSA claimants from 1.516 million at the start of the year to 1.143 million by the end of the year. As a percentage of monthly JSA claimants, adverse sanctions decisions for JSA claimants never rose beyond an annual average of 3.9 between 2001-10. In 2012, the annual average was 4.4, rising to 5.6 in 2013.

Under the new sanctions regime for ESA WRAG claimants, introduced in December 2012, there were just under 41,000 decisions to apply a sanction. Over three-quarters (83 per cent) of decisions to apply a sanction were made because of a failure to participate in work related activity (this includes failure to participate in the Work Programme), with the remaining due to a failure to attend a mandatory interview.

In July 2014, the DWP published an independent review of the sanctions regime conducted by Mathew Oakley, a member of the Social Security Advisory Committee and formerly Head of Economics and Social Policy at Policy Exchange. The full title of the report (available here) is Independent review of the operation of Jobseeker’s Allowance sanctions validated by the Jobseekers Act 2013, taking the last part of the title from legislation that addressed legal challenges, initiated by claimants, to situations where JSA claimants faced financial penalties for failure to participate in mandatory back to work schemes.

The terms of the review were mostly concerned with the clarity of information provided to claimants in the notifications provided to them about the consequences of failing to take part in back to work schemes, and the clarity of information given to claimants to help them navigate the process once a sanction has been applied, including the review and appeal process.

The review covered claimants of JSA who have been sanctioned whilst participating in a mandatory back to work scheme, including:

• The Work Programme (JSA claimants only)
• Day One Support for Young People trailblazer in London
• The Derbyshire Mandatory Youth Activity Programme
• Full-time Training Flexibility
• New Enterprise Allowance
• Sector-based work academy
• Skills Conditionality
• Mandatory Work Activity
• The Community Action Programme Pilot.

The document contains more details about these programmes, and of the sanctioning and appeals process, including numerical estimates of sanction decisions overturned on reconsideration by scheme.
Important to the review’s considerations was the increasing proportion on referrals for sanctions being made by Work Programme and other back-to-work scheme providers, a very high proportion of which are subsequently cancelled or judged to be non-adverse. Providers of mandatory schemes are unable to make legal decisions regarding good reason, and a recommendation that flows from this is that guidance for providers should be provided to ensure they take proportional steps to seek good reason from claimants. Another is for improved communication between providers and Jobcentre advisers. Also recommended is that the DWP introduce a commitment to make decisions over sanctions referrals within a set timescale, including both initial sanction decisions and reconsiderations, and that the DWP should ensure that proportionate steps are taken to inform all claimants of a sanction decision before the payment of benefit is stopped.

The review sought information and views from a range of lobby groups and other organisations. Some responses are available on the Child Poverty Action Group website, here.

The Work Programme

There have now been six releases of statistics from the Work Programme (WP), showing the number of job outcome payments made to providers between June 2011 and March 2014. The latest release, in June 2014, is available here.

The statistics show:

- The number of referrals to Work Programme providers by Jobcentre Plus, and the number that actually started on the programme
- The number of job outcome payments that have been made to providers
- The number of ‘sustainment payments’ to providers, and the number of individuals for whom at least one ‘sustainment payment’ has been made
- The number of leavers who are not in employment, but may have had a spell of employment during their two years on the programme.

The DWP has set a Minimum Performance Level (MPL) for providers based on what it refers to as its ‘non-intervention level’, or the level at which job entry for the target groups can be expected in the absence of any intervention – below which expenditure can be regarded as deadweight loss. In the third financial year of the Work Programme, all contracts achieved the MPL for JSA 18-24 year-olds, JSA over 25 year-olds, and new ESA claimants. This is an improvement on the second financial year, in which 16 contracts (out of 40) achieved the MPL for JSA 18-24 year-olds, 18 for JSA over 25 year-olds, and none for new ESA claimants.

The MPL is calculated as the proportion of job outcomes to referrals over a one-year period. Both referrals and job outcomes must fall within the same 12-month period, so the figures can produce some bizarre results if referrals in year 2 fall but job
outcomes from referrals made in year 1 rise. Because the numbers of referrals has been falling, some contracts achieved over 100 per cent of their MPL in year 3. However, the DWP also publishes what it refers to as a ‘transparency indicator’ (one of eighteen such indicators for the DWP), which is the proportion of claimants for whom providers were paid a job outcome payment at 12 months following referral, by monthly intake.

Job outcome payments are paid after someone has been in paid work for either three or six months, depending on which category (or payment group) they have been assigned to. There are nine payment groups, mainly based on different classes of JSA or ESA claimants. Sustainment payments are made for every four-week period in a job following a job outcome.

By March 2014, just over 1,553,000 claimants had been referred to the Work Programme, of which just over 848,000 are still on the scheme. The largest number of referrals (660,000) was for JSA over 25 year-old, followed by JSA early entrants (286,000) and JSA 18-24 year-old (273,000). The trend for monthly referrals has been downwards, falling from 74,630 in June 2011 to 21,870 in March 2014. Monthly intakes since September 2012 have included a higher proportion of ESA claimants, reflecting changes in access to the programme. In March 2014, 29 per cent of referrals were from an ESA group compared to 3 per cent in June 2011.

Monthly intakes attain job outcome payments the longer they spend on the programme. Over a quarter of the first intake in June 2011 attained a job outcome payment by March 2014, compared to a little less than 5 per cent after nine months support. Overall, the proportion attaining a job outcome payment by the 12-month stage has improved since the start of the programme, from 8.4 per cent in June 2011 to 12.8 per cent in March 2013. However, for ESA claimants, performance continues to be worse than for JSA claimants, although it is improving slightly. Up to May 2012 the proportion of the ESA new claimants group attaining a job outcome payment within a year was around 4 per cent, but this rose to about 9 per cent by March 2013. For JSA 18-24 year-olds, the improvement was from about 10 per cent to just under 20 per cent over the same period, whilst for JSA over 25 year-olds, it was from 8 per cent to just under 17 per cent.

To date, nearly 74,000 claimants have stayed in sustained employment long enough to qualify for the maximum number of sustainment payments. However, 477,000 claimants returned to Jobcentre Plus still on benefits after completing 104 weeks on the scheme, 35,000 thousand of which had found sustained employment for 3 or 6 months.

Analysis conducted by Inclusion (available here) applies some additional modelling to the DWP’s statistics. The analysis confirms that performance in the Work Programme continues to vary among groups, with performance particularly poor for people with a disability and the over-50s, at roughly half the average, although it is acknowledged that there has been some improvement for the ESA main group. On job sustainability measures, the Work Programme is doing well, and among groups young people appear to be benefitting most.
It is estimated that up to September 2013 the DWP had paid providers a total of £1.35bn. Whilst attachment fees made up 94 per cent of provider income in the first year of the programme, outcome payments are now the main source of funding (from April 2014 onwards providers will receive no up-front funding in the form of attachment fees). Inclusion estimates that the programme is currently costing £1,187 per person in the programme.

Comment

The current programme of welfare reform possesses a number of headline objectives with which few would disagree and which attract wide political and public support. There is little opposition, in principle, to the objectives of removing work disincentives in out-of-work benefits or of containing the overall benefits bill. Although some of the current reform programme is a continuation of reforms started by the last government – notably the programme of transferring IB and SDA claimants to the ESA, and, where possible, to one of the ‘work conditionality groups’ (either JSA or WRAG-ESA), political support for the overall package is beginning to peel away (an early sign of which is opposition to the RSRS/SSRC) because it is becoming apparent that many of the current reforms are based on a misdiagnosis of the issues, can be poorly thought out, and hastily implemented. The WCA (began by the last government) has been characterised as over-simplistic and insufficiently attentive to the objective of supporting people back into work. The assessment process for PIP was not piloted properly, and problems in its implementation have caused distress for claimants who in no way could be blamed for their own condition. The benefit cap and the RSRS/SSRC are likely to prove counterproductive because of the damage they are causing to the operations of social landlords and the disruption of informal support networks. It is likely that the current JSA/ESA sanctions regime will come to be viewed as excessively punitive, and that there will be calls to re-focus the operations of Jobcentre Plus from compliance to employment support, the latter of which was its original, primary purpose.

It is undoubtedly the case that the demands of austerity have influenced the character of these reforms, but it means that the brunt of deficit reduction is currently being borne by claimants of working age benefits, whether in or out of work. The deterioration in the position of this group, as indicated by various independent analyses (such as that of the IFS) will lead to a growth in poverty. The costs of this are being transferred from central government to local agencies (the growth in food banks is a prime example), and according to many commentators is not, in the long term, sustainable. What is really needed is more high quality back-to-work services, better jobs, more and better childcare services, and access to affordable housing. In the meantime, it is to be hoped that the best of current reforms – such as the better and simpler work incentives in Universal Credit (notwithstanding anomalies attaching to in-work conditionality and the treatment of dual-earning households) can be salvaged and improved.
For more information about this, or any other LGiU member briefing, please contact Janet Sillett, Briefings Manager, on janet.sillett@lgiu.org.uk

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