



**The Government Response to the Communities and
Local Government Select Committee Report:**

Implementation of Welfare Reform by Local Authorities

Presented to Parliament
by the Secretary of State for Communities and Local Government
by Command of Her Majesty

June 2013

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Implementation of Welfare Reform by Local Authorities**

Introduction

The Communities and Local Government Select Committee conducted an inquiry into the implementation of the welfare reforms by local authorities. Following the submission of written evidence and a number of evidence sessions, the Committee published its report on 3 April 2013.

Committee Conclusions and Recommendations

The Committee made four key recommendations and 31 specific recommendations. Set out below are the Committee's recommendations from the report and the Government's response to each.

Key Recommendations

Key Recommendation 1: *The Committee notes that the provision of spending data on the social fund (to allow local decisions to be made in an informed way) is of particular importance. Central Government should also do more to get the national aspects of the changes (scale, timetable and where to get advice) across to the public and claimants.*

- The Government agrees that making available spending data on the abolished parts of the social fund to local authorities (and the devolved administrations) is important to allow local decisions to be made in an informed way. Therefore since 2011 the Department for Work and Pensions (DWP) set up dedicated web pages providing data on discretionary Social Fund demand and spend.
- The data can be found on the DWP website at dwp.gov.uk under the section on information for local authority staff, and includes:
 - Yearly and monthly demand and spend trends, legitimate demand and a more detailed breakdown of awards by local authority area. Legitimate demand shows both the monetary amount applied for by those who receive an award or are refused on budgetary grounds and the volume of such applications. This means all eligible applications are taken into account as well regional variations in the cost of goods and services.
 - Awards by type and reasons for refusal.
 - Most common items awarded.
- DWP has a customer communications plan covering the abolition of Crisis Loans and Community Care Grants from 1 April 2013.
- This included messages on the Department's telephone enquiry lines, scripts for DWP staff to use in Jobcentres and call centres and messages on customer letters.

- At a local level DWP staff have been informing partners such as local customer advice agencies, Work Programme and other providers, support and community workers, police and charities about the ending of Crisis Loans and Community Care Grant; and began telling enquirers about the forthcoming changes from February 2013.
- Early signs are the messages have been understood. This is indicated by fewer than expected claimant enquiries.

Key Recommendation 2: *The Committee refers to new burdens and asks the Government to work with the Local Government Association to assess the cumulative impact of the entire programme on local authorities' resources.*

- DWP is assessing the financial impact of the welfare reforms in line with the Cabinet Office agreed new burdens doctrine, and the Department for Communities and Local Government (DCLG) has undertaken an assessment of the new burdens costs of localising council tax support. DWP's Welfare Reform new burdens assessments include:
 - the Benefit Cap;
 - Removal of the Spare Room Subsidy;
 - Local Housing Allowance;
 - Social Fund and
 - Universal Credit (where DWP and DCLG are working together to establish the impact on administration costs, currently shared between Housing Benefit and local council tax support).
- DWP will monitor the cumulative impact of Welfare Reform assessments in line with the new burdens doctrine. The new burdens assessment will be reviewed in the light of any clear evidence of emerging changes in costs and DWP will provide additional funding as appropriate.

Key Recommendation 3: *The Committee is concerned about direct payments and Universal Credit, and that there will be a cost to housing associations and local authorities of providing support and information to tenants. Housing associations may face increased rent arrears and collection costs, though the Government has agreed that this may be offset by excluding "vulnerable" tenants and an automatic switchback mechanism (paying rent to the landlord when a tenant's arrears hit a threshold level). In addition, it is vital that DWP makes good on its assurances that the financial viability of housing associations will not be damaged by the welfare reforms. It is also vital for the Government to provide as soon as possible a clear definition or guidance for what will constitute a "vulnerable" tenant. Information from the Direct Payment pilots including levels of arrears must be made available before the rollout of Direct Payment to tenants.*

- The Government is committed to supporting working-age recipients of Housing Benefit to make the transition to a single monthly direct payment of benefit. We also recognise the importance of stable rental incomes for social landlords in the delivery of new homes and the extent to which direct payments of housing support contribute to this.
- Most tenants in the Private Rented Sector are already receiving their housing payments directly, and managing their own finances. A significant number of tenants in the Social Rented Sector are also responsible for paying their rent or part of their rent to their landlord.
- However, we recognise that some claimants may need additional support to manage their money, particularly during the transitional period. We are working with the advice sector to ensure that claimants are able to access budgeting support services to help them to manage their money successfully. More details are in the response to recommendation 10.
- A minority of claimants may also require alternative payment arrangements. This might include making managed payments of rent to the landlord, payments more frequently than monthly, or splitting the payment for a couple.
- As part of the Government's commitment to introduce Universal Credit in a way that protects the finances of social landlords, DWP can make rent payments direct to the landlord if a claimant reaches a certain level of rent arrears.
- The latest information from the Direct Payment Demonstration projects shows the reduction of rates of arrears over time. The level at which the rent arrears 'trigger' should be set is being tested in the Direct Payment Demonstration Projects. For the purpose of the Universal Credit Pathfinder, which began on 29 April 2013, we will assume a two month arrears trigger point, subject to review pending the outcome of the projects. More details are in the response to recommendations six, nine and 12.
- We have recently announced the extension of the projects for a further six months, to deepen our insight into the protection needed for tenants and landlords and the steps that landlords can take to mitigate any negative impact.
- DWP is not seeking to define "vulnerability" for the purposes of administering Universal Credit. Any attempt to do so would risk some people with complex needs falling outside of the prescribed definitions and then not receiving help that they may genuinely need. DWP has already published guidance on this and alternative payment arrangements for the Universal Credit pathfinder in Greater Manchester.

- The decision to offer a claimant an alternative payment arrangement will be made by a DWP decision maker. We will take into account a range of factors to help us identify a claimant's needs, including:
 - Drug, alcohol or other addiction problems
 - Learning difficulties or mental health conditions
 - Temporary or Supported accommodation
 - Homelessness
 - Severe debt problems
 - Domestic violence

- This list is not exhaustive and all alternative payment arrangements will be considered on a case by case basis. We envisage a role for local authorities and Housing Associations in the Alternative Payment Arrangements process. We will develop proposals and engage with key partners in time for further Universal Credit rollout.

Key Recommendation 4: *The Committee had concerns about the readiness of ICT systems, specifically the systems for fraud detection within Universal Credit still being at early development even though implementation is now advanced. The Committee have said DWP must provide swift assurance that the benefit system will not be left vulnerable to fraud either during or after the transition to Universal Credit.*

- DWP is working with experts across Government to ensure that the arrangements to prevent fraud in Universal Credit operate effectively in the interests of taxpayers. It is not in the public interest to disclose the details of those arrangements.

- The new Integrated Risk and Intelligence Service (IRIS) for Universal Credit will be a hub for data and intelligence on fraud, error and debt. This new system is being delivered in phases to ensure that it can protect against the wide range of threats that Universal Credit may face. Stage 1 Integrated Risk and Intelligence Service went live along with the Universal Credit Pathfinder on 29 April. The two Programmes will continue to work closely together to ensure that Universal Credit is protected by security systems that integrate counter-fraud, cyber and identity assurance capabilities.

- To receive a Universal Credit payment in the Pathfinder area, claimants will need to provide adequate evidence that confirms both their identity and their circumstances in a face to face meeting with a Jobcentre Plus adviser. Guidance is provided via the gov.uk site which explains what happens if claimants begin their claim online. The link is <https://www.gov.uk/universal-credit/what-you-need-to-do>

Specific Recommendations

Recommendation 1: Department co-operation

The changes to welfare clearly require close co-operation between DWP and DCLG. We welcome the steps already taken by central departments to work together on welfare reforms. There may be scope to improve the arrangement—small steps such as a single contact list shared between departments can aid communication and avoid confusion. We urge the Departments responsible for implementing the changes to test their systems, in co-operation with local authorities, and to make any improvements quickly. Departments must not underestimate the tasks they are asking of local government and they must also be ready, if necessary, to provide additional support, particularly when the changes are being implemented. (Paragraph 8)

- We welcome the recognition from the Committee that the two Departments already work closely together. Examples include:
 - the joint commission of evaluations of the Local Housing Allowance reforms,
 - working with the Chartered Institute of Housing to develop a toolkit for social landlords to use to prepare their tenants and themselves for the changes, and
 - joint working on the data-sharing for Universal Credit claims.
- Our joint work on the Direct Payment Demonstration projects are supporting six local authorities and housing partnerships to test the payment of housing support direct to the tenant. Both Departments are working closely with the areas and other interested partners. This includes jointly funding an online learning network hosted by the Chartered Institute for Housing to ensure that the learning gained from this project is shared across the sector and can be incorporated into the final design of Universal Credit.
- In addition, in October 2012 the Government launched 12 local authority led pilots to assess how best to support those who need help to access Universal Credit services. The services being assessed include: digital inclusion, financial and budgeting support, face to face services, access to work and customer support.
- On 11 February 2013, DWP published the Universal Credit Local Support Services Framework. This sets out how DWP staff can work with other services to provide local level support to claimants who really need it. The approach aims to create a 'single claimant journey' for each household, from dependency on benefits towards work readiness, which all service providers can sign up to. The Framework was written by a task force which included Local Authority Association representatives from England, Scotland and Wales. DCLG is also a member of the Local Authority Reference Group supporting the Task Force.

Recommendation 2: Guidance from central Government (Localising Council Tax Support)

Under the welfare changes, it will be for local authorities to make decisions about how they operate local schemes. They cannot, however, draw up their schemes in a vacuum. There are still areas where information is required and DCLG and DWP must provide local authorities with the information needed in good time ahead of the start of each phase of the changes to enable authorities to make informed local decisions and to understand the changes that will affect their local residents. (Paragraph 11)

- The Government has taken a number of steps to ensure local authorities have been well placed to implement local council tax support schemes this April.
- DCLG ensured local authorities received early notice of the requirements of secondary legislation.
 - We published a statement of intent in May, setting out in detail what would be covered by secondary legislation;
 - published draft regulations on the default scheme and prescribed requirements in July for comment;
 - and have laid regulations on:
 - the default scheme and prescribed requirements (and an associated uprating instrument);
 - the council tax base;
 - administration and enforcement;
 - transitional arrangements;
 - fraud;
 - contracting out;
 - amendments to the Valuation Tribunal for England; and
 - procedure rules and data sharing.
- We have provided advice and guidance on a range of issues including work incentives, local authorities' responsibilities in relation to vulnerable groups, the transition grant, administration of support within the council tax system, and the operation of the default scheme in relation to people receiving Universal Credit.
- We have also provided information to help local authorities consider the financial implications of their schemes. This has included:
 - a design tool to help local authorities analyse the impact of scheme options;
 - a funding consultation, which provided provisional funding allocations for all authorities;
 - a consultation on the business rates scheme, setting out how allocations to local authorities would be calculated in 14/15;
 - a consultation and Government response on the council tax base and funding for local precepting authorities;
 - transition grant criteria and allocations;

- and final funding allocations, which were issued as part of the Local Government Finance Settlement.
- o We have supported regular communication to and between local authorities, including providing regular email policy updates to Chief Finance Officers and other interested officials, and hosting two national events for local authorities to share experience and issues.
- o Whilst considerable work has already gone into preparing local schemes, we recognise that this is the first year of a new approach. We will be maintaining contact with local authorities as they implement their schemes and are ready to work with them to respond to any new issues that arise.

Recommendation 3: Timescale for change

Changes, including those to Universal Credit are being rolled out nationally over an extended period and we agree with DCLG that this should assist local authorities implementing the changes. Local authorities need certainty about the timetable for delivering the changes to welfare. We see no pressing need for a postponement of the main changes. To ensure that the extended implementation period gives maximum benefit to local authorities, the Government needs to make sure that all guidance that it plans to produce is published well in advance of future implementation dates. The late production of guidance on the reforms starting on 1 April has affected local authority consultation plans and, in some instances, may have increased their costs because of the need to make late changes. (Paragraph 15)

- o To ensure a safe and controlled implementation of Universal Credit, DWP is working closely with partner organisations including local authorities. On 29 April 2013 Universal Credit went live in one local authority in the North West of England. This Universal Credit Pathfinder is the first stage of a gradual and managed roll-out.
- o This incremental approach allows us to start small, test, learn lessons and refine before progressive roll-out starts in October 2013. Details of the roll-out will be released as DWP finalises plans. DWP recognises that this is a key area of local authority planning and will share information on roll-out plans as soon as possible.
- o DWP arranged a number of implementation planning events with local authorities in readiness for the Pathfinder. More detailed planning followed these events to address critical areas of implementation.
- o In advance of the implementation schedule being finalised, DWP is also working with local authorities in other areas to ensure they can develop plans that help deliver Universal Credit. This includes funding 12 local authority led pilots to assess how best to support those who need help to access Universal Credit services.

Recommendation 4: Public awareness

The level of awareness and understanding among benefit claimants about the changes to welfare will inevitably have some impact on the effectiveness of implementation. Ensuring that recipients are aware of the changes in their local area is best done by local authorities as they have the local knowledge to enable them to do it efficiently. There is however, a role for central Government in highlighting the scale and importance of the changes. The Government should be encouraging broader awareness and advising claimants to contact their local authority to find out more through advertising and in information relating to Universal Credit. (Paragraph 18)

- As a result of the incremental approach, Universal Credit will impact a limited number of claimants during the Pathfinder stage. The use of traditional broadcast media (e.g. press and radio advertising) would not be a cost effective way to reach such a group and would also risk confusing and/or worrying the wider claimant population at this time.
- We are providing information through a range of channels owned by our delivery partners to reach those most likely to be affected by Universal Credit. In addition we are using GOV.UK and local / national press to communicate our messages.
- Our Universal Credit Partner Toolkit is the first major step in building those messages. It has been well received by our delivery partners and is intended to provide all the information and support claimants need.
- During the course of the Pathfinder stage, we will review our communication channels to inform the approach that we need for the national rollout of Universal Credit as larger numbers of people are affected.
- We have developed a personal planner to help potential claimants understand what Universal Credit means for them individually and what they need to do to prepare. Claimants are given a personalised action plan setting out what they need to do. This is now live on GOV.UK.
- We are also working with councils and housing associations as our welfare reforms are being introduced to ensure people that need help get it, and collectively we are contacting everyone affected to let them know about the changes that affect them. Universal Credit will substantially improve the incentives to work and aims to ensure that claimants are always better off in work. Around 3.1 million households will have higher entitlement under Universal Credit. All claimants who are on a Universal Credit predecessor benefit at the point of migration to Universal Credit will be contacted directly and made aware of what they need to do.

Recommendation 5: “Exceptions” and “vulnerable” tenants

The delay in providing a definition of what constitutes a “vulnerable” tenant and in setting out the “exceptions” that will operate for Direct Payments to tenants needs to be resolved quickly otherwise local authorities and housing associations will be unable to plan effectively. The Government must provide local authorities and housing providers with a clear set of “exceptions” to Direct Payment to claimants. In addition, whether it calls it guidance or a definition of “vulnerability”, DWP must produce information on which tenants will not receive Direct Payments for local authorities and housing associations quickly. When doing this the Government should bear in mind the need for clarity for tenants and landlords and to minimise bureaucracy for housing associations and local authorities having to assess who will be eligible to have their rent paid on their behalf direct to their landlord. We recommend that any definition or guidance of what constitutes a “vulnerable” tenant should include a wide range of reasons for vulnerability to allow flexibility in its use.

(Paragraph 32)

- We are not seeking to put in place a rigid definition of "vulnerability" for the purposes of administering Universal Credit. Any attempt to do so would risk some people with complex needs falling outside of the prescribed definitions and then not receiving help that they may genuinely need.
- Alternative payment arrangements will be ‘claimant centric’ (something that is done ‘with’ the claimant rather than ‘to’ the claimant), and decisions will be made on a case by case basis. Full guidance has been developed to support staff handling these cases an overview of this guidance is available on gov.uk:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181400/personal-budgeting-support-guidance.pdf
- The decision to offer a claimant an alternative payment arrangement will be made by a DWP decision maker. We will take into account a range of factors to help us identify a claimant’s needs, including:
 - Drug, alcohol or other addiction problems
 - Learning difficulties or mental health conditions
 - Temporary or Supported accommodation
 - Homelessness
 - Severe debt problems
 - Domestic violence
- This list is not exhaustive and all alternative payment arrangements will be considered on a case by case basis. We envisage a role for local authorities and Housing Associations in the Alternative Payment Arrangements process and will develop proposals in time for Universal Credit rollout.
- Alternative payment arrangements will be considered in the following order of priority:

- In order to safeguard the claimant's home, paying rent direct to the landlord through 'managed payments' will be the first priority where rent is part of the Universal Credit award.
 - Secondly we should consider if a more frequent payment is needed. Two payments every month is recommended for those who will struggle to manage monthly. Exceptionally, a different frequency may be considered.
 - The split payment of an award between partners should only be considered in certain specific situations. For example, financial abuse where one partner mismanages the Universal Credit award or in some domestic violence situations where the couple decide to remain together in the same household and a separate claim to Universal Credit is not made. In these situations we should first consider paying the rent element directly to the landlord (where appropriate), before deciding on the proportion to be split between the couple.
- o Wherever possible, these exceptional arrangements will be time-limited and claimants helped to make the transition to monthly budgeting. A Support and Exceptions Working Group helped design this approach and included representatives from social landlords, local authorities, and the third sector.

Recommendation 6: Arrears and collections costs

If the Government is to meet the assurances it has given landlords, that their financial viability will not be affected by Universal Credit, it should introduce an automatic arrears trigger for switch-back similar to that available under the Local Housing Allowance. Given that this is a new system affecting significant numbers of tenants, the Government should consider starting the rollout of Direct Payments to tenants with a temporary switch-back mechanism with six weeks of arrears, later moving to eight weeks, in order to address the concerns raised by housing associations about initial levels of arrears and collection costs. (Paragraph 40)

Recommendation 9: Direct Payment Demonstration Projects

Information available from the Direct Payment Demonstration Projects shows that rent arrears have risen initially and then fallen back, settling at higher than the original levels. We recommend that, if arrears rise significantly when Direct Payment is rolled out nationally, the Government works with the Local Government Association and the National Housing Federation to consider what additional measures it will put in place for tenants to help them reduce their arrears. (Paragraph 52)

Recommendation 12: Arrears

The Government must clearly set out what level of arrears it thinks will be sustainable in the medium to long term for housing associations and at what level it will consider introducing additional safeguards or limiting the use of Direct Payment. (Paragraph 58)

- The Government expects social landlords to work with their tenants to minimise the risk and level of rent arrears as far as possible, and is committed to ensuring access to budgeting support for claimants (see response to recommendations 8 and 10).
- To help manage any arrears which do arise, when a claimant reaches an agreed rent arrears trigger point, the landlord can contact DWP with evidence of the rent arrears in order to request managed payments. At this point we will also begin recovery of the rent arrears debt from the claimant's Universal Credit payment.
- The latest information from the Direct Payment Demonstration projects shows the reduction in rates of arrears over time. We have recently announced the extension of the projects for a further six months, to deepen our insight into the protection needed for tenants and landlords and the steps that landlords can take to mitigate any negative impact. The projects are testing different options that will inform the decision on the arrears trigger point. Until that decision is made, Universal Credit pathfinder has adopted a two month arrears trigger point.
- Deductions of up to 5% of the standard allowance (which may be different in individual cases) can be made for debt repayments under current regulations. The Government is considering whether this level is appropriate for Universal Credit, or if it should be increased in future.
- The Government believes that the planned measures to identify those at risk of struggling to budget and to assist others to budget effectively will avoid significant rent arrears building up. In addition, the interventions to provide managed payments to landlords in cases where significant arrears do occur will be sufficient to protect claimants from serious debt and landlords from damaging arrears.
- These measures will be kept under review. The Government will take account of evidence about the way the measures are working and the views of interested bodies in deciding whether changes are needed.
- The Direct Payments Demonstration projects have captured a lot of very valuable learning to date. As the last three months of the current Direct Payments Demonstration Projects timescale overlaps with the introduction of a number of Wider Welfare Reforms, extending the projects by six months will allow us to capture the impacts of these changes. The extension will also allow us to monitor persistent under payment by tenants and triggers, and will help further inform the structure/design of the support network being developed for Universal Credit claimants.

Recommendation 8: 'Jam-jar' accounts

We welcome the Government's plans to encourage the introduction of budgeting or "jam-jar" accounts which would allow tenants to see benefit payments moving in and out of their account without the risk of the money being spent on other things. This would provide both transparency for tenants and security for landlords. More information is needed from DWP, however, on how these accounts would work and who would pay for them. (Paragraph 45)

Recommendation 10: Financial education

In this context we welcome the Government's announcement that financial education will be added to the national curriculum in 2014. However, it will take time before it has an effect and in the meantime we recommend that the Government take the opportunity offered by the changes to welfare to work with the Local Government Association and National Housing Federation to develop methods to encourage more people, particularly benefit claimants, to engage in financial education. (Paragraph 53)

- The Government is committed to supporting Universal Credit claimants make the transition to a single monthly payment of benefit. We expect most people to be able to manage their money.
- However we know that some people will need access to budgeting support. DWP is working with the advice sector to ensure that claimants are able to access budgeting support services to help them to manage their money successfully.
- Budget advice will be offered at a national and local level, to anyone claiming Universal Credit or transferring from another benefit. It will include a mix of online, telephone and face to face services. Many claimants will be able to self serve via the online budgeting support services that are already available, and we will target more intensive budgeting support towards people with a clear need.
- The Money Advice Service website already provides online budgeting support, and now includes specific information to help people prepare for Universal Credit.
- Local support services will be offered through the Local Support Services framework when Universal Credit is rolled out nationally. Details of this framework are available on gov.uk:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181395/uc-local-service-support-framework.pdf
- A Support and Exceptions Working Group has been established to inform this work containing representatives from Social landlords, local authorities, and the third sector.
- We have engaged with National Housing Federation and Local Government Association throughout the development of the Personal

Budgeting Support strategy for Universal Credit claimants. We continue to work closely with local authorities and landlords and will keep them informed of plans as they develop.

- While the majority of Universal Credit claimants will continue to be paid through mainstream current or basic accounts, we are looking at ways to make accounts with budgeting functionality more widely available. We are considering the best ways to make these types of products more available, in consultation with financial providers across the private, social and third sectors.
- DWP is also planning to provide up to £38 million over the next three years to credit unions to support growth and modernisation in that sector and to support more of their members to have increased access to financial products. We will be making further announcements in due course about what other financial products will be available and how these will complement our over-arching personal budgeting and support strategy.

Recommendation 7: Payment in arrears

Under the new system of Housing Benefit payments a proportion of tenants will enter their tenancies one month in arrears. This will lead to reduced cash-flow for housing associations. In addition, we note that most social rent is currently paid on a weekly basis meaning that many housing associations may have to change their systems in order to work with monthly housing payments in arrears. We recommend that the Government hold urgent discussions with the Local Government Association and the National Housing Federation about how this new, automatic four weeks of arrears for many tenants will be managed. The Government must also set out how any reduced cash-flow will be funded. (Paragraph 43)

- Universal Credit will be paid calendar monthly in arrears. While Housing Benefit is a weekly benefit, payments for housing association tenants are routinely made direct to landlords four-weekly in arrears. The specific impact of the change in payment schedule is therefore likely to be small.
- Under current arrangements, a housing authority tenant finding work will move from income-related benefits to tax credits, interrupting their support systems and potentially affecting their landlord's income streams. Under the new system, the majority of social tenants will remain within Universal Credit and on the same payment cycle when moving into or out of work. There will be no delays as tenants wait for their claims to be processed or problems caused by different payment periods so Universal Credit will give greater surety to housing associations than they receive now.
- For more detail on the Government's action to protect the income stream of social landlords with the introduction of Universal Credit see the response to recommendations six, nine and 12.

- We are already engaging closely with the National Housing Federation and Local Government Association on the implementation of welfare reforms. For example, we have engaged throughout the development of the Personal Budgeting Support strategy for Universal Credit claimants. We will continue to work closely with them and social landlords in this area and keep them informed of plans as they develop.

Recommendation 11: Timing of the pilots

We welcome assurances from the Government that the results of the Direct Payment pilots will feed into the design of Universal Credit and assist in the development of safeguards. To minimise the risk of unexpected additional expenditure and the need to make unplanned changes after implementation, we recommend that the Government ensure that the results from the pilots are published in time to allow any changes to be properly factored in to plans for the national roll-out. (Paragraph 57)

- We recognise the importance of a stable rental income for social landlords, which is why we are testing a variety of approaches with a mix of tenants through the Direct Payment Demonstration Projects.
- Learning Reports relating to the Direct Payments Demonstration Projects are produced every other month. These are part of the independent evaluation being conducted by the Centre for Regional Economic and Social Research and largely based on interviews and informal discussions with key delivery partners and tenants in the Demonstration Project areas. An interim report by our external evaluation team of the emerging lessons from the projects was published on 16th May 2013 and a final report is expected to be published in the spring of 2014.
- The learning reports are shared with members of the online Demonstration Projects Learning Network which has over 800 members from local authorities and housing associations.
- So far, the learning from the projects has had a direct influence on the design for Universal Credit in the areas of Personal Budgeting Support, Alternative Payment Process, and the rent arrears trigger.
- The sharing of the learning from the projects has been done proactively and continuously since the projects began in June 2012 rather than waiting until the scheduled publication dates of the external reports. This approach will continue throughout the remaining period of the projects so that learning can be factored in throughout the design and roll out of Universal Credit.

Recommendation 13: Social Sector Size Criteria (Removal of the Spare Room Subsidy)

The fundamental problem has been a long-term failure to build sufficient homes. In our report on the Financing of New Housing Supply we have already made recommendations, listed in this report, which would begin to address this issue which we urge the Government to consider. The consequent shortage of properties which currently exists in most places means that there are simply not sufficient suitable properties available for people to move into in order to use existing stock effectively. In conjunction, local authorities and housing associations should develop policies and incentives to encourage tenants to move into suitable smaller properties and then to reflect the need for such properties when developing new stock. (Paragraph 62).

Recommendation 14: We welcome the Government's recent announcement that serving members of the armed forces and families with children with certain disabilities would be exempt from Social Sector Size Criteria (SSSC). The Government should now look at the impact of SSSC on people with disabilities and parents who care for children part-time. (Paragraph 63).

- With a total investment, including from the private sector, of £19.5 billion, our main Affordable Homes Programme remains on track to deliver 170,000 new affordable homes for rent and ownership by March 2015.
- Up to a further 30,000 will start on site by the same date, supported by our Affordable Housing Guarantee of £10 billion and grant of £450 million.
- However we must also make the best use of existing social housing. The purpose of this reform is to encourage people to make realistic choices about how they will meet the rent on a property that is larger than they need, particularly when a quarter of a million families in social housing are overcrowded.
- We expect many tenants affected by the removal of the spare room subsidy will decide to stay in their existing homes and make up the difference in rent not met by Housing Benefit by finding work, or taking in a lodger. Where social tenants decide to move to a smaller property, we have made it easier for them to do so through changes to the allocation rules in the Localism Act 2011 and the introduction of HomeSwap Direct.
- The removal of the spare room subsidy ensures that Housing Benefit in the social rented sector meets only the cost of accommodation appropriate to the claimants needs. It also introduces some parity of treatment between claimants renting in both the social and private rented sectors.
- The only group *exempt* from the policy are pensioners, however easements have been made to allow an additional bedroom for:
 - disabled people who need someone to look after them overnight,
 - foster carers, and

- disabled children who would usually be expected to share a bedroom, but who are unable to because of the nature of their disability.
- o In addition the parents of service personnel away from home on operational duty are able to treat their bedroom as still being occupied.
- o Funding has been added to the, local authority administered, Discretionary Housing Payments scheme to support claimants through the transition. £25 million of this is specifically to support disabled people living in significantly adapted homes.
- o We are committed to evaluating this policy. We have commissioned an independent research consortium to carry out a two year independent evaluation exploring the effects of the introduction of the size criteria in the social rented sector. This consortium is led by IPSOS-MORI and includes the Cambridge Centre for Housing and Planning Research and the Institute for Fiscal Studies. The fieldwork will start in the early summer, initial findings will be available in 2014 and the final report in 2015. The evaluation and monitoring will include small scale primary research with a range of local authorities, social landlords, claimants and voluntary organisations across England, Scotland and Wales.

Recommendation 15: Availability of information (social fund)

We recommend that the Government make available to local authorities the information they need about current Social Fund spending in their area as quickly as possible to enable them to assess accurately the level of local provision that will be needed. (Paragraph 74)

Recommendation 16: We expect that there will be pressure to divert funding for replacing Social Fund provision to support Discretionary Housing Payments (DHP). It is a matter for local authorities how they allocate non-ring-fenced money from central Government to provide local support in place of the Social Fund. (Paragraph 76)

Recommendation 17: The Government gave local authorities an assurance that replacing the Social Fund would not result in additional unfunded burdens. Replacing Social Fund provision locally is a new area of work for local authorities and represents a major change in their costs particularly when taken together with Discretionary Housing Payments, the demand for both of which is difficult to forecast. The Government must ensure that local authorities are provided with the funding they need to set up and administer local support schemes and deal with reasonable demands for Discretionary Housing Payments from 1 April. We recommend that the Government meet with the Local Government Association after 12 and again after 24 months to review the level of support required and decide on the appropriate level of additional funding if local authorities are incurring reasonable, unfunded costs. (Paragraph 77)

- The Government agrees that making available spending data on the abolished parts of the social fund to local authorities (and the devolved administrations) is important to allow local decisions to be made in an informed way. Therefore since 2011 DWP set up dedicated web pages providing data on discretionary Social Fund demand and spend.
- The data can be found on the DWP website at dwp.gov.uk under the section on information for local authority staff, and includes:
 - Yearly and monthly demand and spend trends, legitimate demand and a more detailed breakdown of awards by local authority area.
 - Awards by type and reasons for refusal.
 - Most common items awarded.
- We have also published an explanatory question and answer fact sheet on the current Crisis Loan for Living Expenses and Community Care Grant Schemes and an information sheet on future Budgeting and Short Term Advances.
- Social Fund Annual Reports and the Social Fund Decision Maker's guide have also been made available.
- The Social Fund is neither being localised nor replaced. Some discretionary payments have been abolished from 1 April 2013 and funding has been provided for new, better targeted local provision through arrangements made by upper tier local authorities in England and the Welsh and Scottish Governments.
- Local authorities are best placed to make strategic decisions about how funding can best be used and the Government welcomes the Committee's comments that local authorities should have the autonomy to use their resources in whichever way best suits the needs of their citizens. We believe that allowing them to design their local services without the constraints that a duty or ring-fence would bring supports this ambition.
- We agree that the level of resource given to councils must accurately reflect the costs of setting up and running new local schemes. This is why to make decisions on the amount of administration funding, DWP consulted with over 150 local authorities during spring 2012. Local authorities suggested that the funding for administrative costs should be at the upper end of earlier estimates they provided, and these amounts, equal to 20% of programme funding, have now been agreed by the Department. Separate funding for set-up costs has also been provided.
- The Department has made plans to conduct a review in 2014-15 to gather information about the way in which local authorities have used the funding. We are working with 50 local authorities and the Local Government Association on these plans.

- The Government has put a significant amount of extra money, £360 million over the spending review period, into Discretionary Housing Payments to support claimants who are affected by the welfare reforms. There are no plans for any additional funding.

Recommendation 18: Monitoring provision (social fund)

We recognise and accept that the Government should not take on responsibility for monitoring how local authorities use resources locally for the replacement of the Social Fund. However, it is important that local authorities are fully accountable to the public in their area for how they use these resources. We therefore recommend that Government requires local authorities to make information about how they spend localised Social Fund money available in a format that is simple for the public to understand. At the national level, the Government should use this information for high level monitoring of the operation of the new arrangements over the next five years, to assess how local authorities are deploying these resources and whether any vulnerable residents risk falling between the gaps in provision after 1 April 2013. (Paragraph 79)

- The Government welcomes the Committee's comments that the design and delivery of the service requires local accountability. It is for local authorities to account to their residents on the scope and quality of the service they provide. They are accountable to the communities they serve, primarily through local democracy, but also through internal structures, including: robust audit, transparency and government and judicial oversight.
- The Government has reduced and continues to reduce, unnecessary bureaucratic central performance management burdens on local government while strengthening local accountability measures such as transparency.
- DCLG published a Code of Recommended Practice for local authorities on Data Transparency in September 2011. (*The code lists data which councils should provide - as recommended practice. It includes spend over £500, senior salaries, organisation chart, contracts, spend on Voluntary Community Sector, policies/ performance information, data on democratic running of the authority, councillor expenses*). The availability of data listed in the code is varied across local authorities. To ensure *all* citizens have equal access to the data set out in the code, DCLG are seeking to make the code a legal requirement via regulations, subject to consultation.
- Nationally, DWP have put in place processes to monitor the impact of the Social Fund Reform changes in the first few months and will work with local authorities to ensure that claimants get timely access to the support available.

- In addition the review planned for 2014-15 will gather further information about the way in which the provision is working (see response to recommendation 17).

Recommendation 19: National guidelines (social fund)

Although we found no evidence to support fears that the localised arrangements replacing the Social Fund would provide widespread incentives for 'benefit chasing', we have concerns that problems may arise in specific areas, especially in those local authorities with significant transient populations such as rough sleepers. We recommend that the Government provide local authorities with guidance on whether they have any responsibility to provide assistance, in the absence of the national Social Fund, to rough sleepers moving into their area and how such provision should apply to rough sleepers who have recently received support from another local authority. (Paragraph 81)

Recommendation 20: Local authorities that introduce a 'local connection' criteria into their local Social Fund provision should ensure that support is not denied to individuals who are displaced from their usual residence because of domestic violence. (Paragraph 82)

- We have worked very closely with English local authorities and the devolved administrations to support them in delivering their new schemes, so that claimants can get timely access to the remaining support available from the Department and from the new provision in their communities. Producing detailed guidance will be the responsibility of each individual local authority. This will be based on the guidelines set out in the Settlement Letter sent to them with their funding and the direction set by their Members. DWP's plans for a review in 2014-15 are detailed in the response to recommendation 17.
- These reforms will allow local authorities to join up their local services with those provided by charities working with the victims of domestic violence and rough sleepers. It is also worth mentioning that many of those affected by domestic violence may be owed a homelessness duty by the local authority and that all local authorities have agreed to adopt the No Second Night Out approach for rough sleepers by the end of 2013, supported by £20 million from DCLG.
- By devolving the funds to local authorities we are enabling them to provide more holistic support and to consider appropriate housing requirements at an earlier stage. They will be able to design or fund existing services that are more responsive to the varied needs of this vulnerable group. This funding will complement any legal duties in this area.

Recommendation 21: Work incentives

As the taper reducing Universal Credit for a claimant entering employment or increasing his or her earnings is fixed at 65 per cent, the level of the local Council Tax Support (CTS) taper, set by each local authority, and how it is calculated will help either to incentivise or produce a disincentive for claimants to move into work. Given the pressures on local authorities to make savings on their Council Tax Support schemes many of them are to be commended for setting the taper at the Government's guideline of 20 per cent. These pressures are unlikely to dissipate with the passage of time. As we note later in this chapter, the grant introduced for 2013–14 to assist in the administration of Council Tax Support schemes which meet certain conditions—including a taper rate of a maximum of 25 per cent—is not due to be repeated in 2014–15. Those authorities in receipt of the grant may therefore be under greater pressure to increase the taper rate and so remove support more quickly from claimants in work and dissuade others from seeking employment or working more hours. We request that in responding to our report that Government provide information on how many local authorities are planning to apply the Council Tax Support taper to remaining (net) income and how many will combine their Council Tax Support taper with the Universal Credit taper. The Government should also provide an estimate of how many claimants will have more than 95 per cent of their additional earned income deducted. In the light of this information and given the Government's intention to encourage work incentives it should consider giving stronger guidance to local authorities. (Paragraph 93)

- Since the costs of support with council tax will now be borne by local authorities themselves, they have a direct financial incentive in designing council tax support schemes that make sure work pays. Local schemes will help to deliver the positive incentives to work that will reduce poverty and reliance on support for council tax in the long term.
- Our guidance is intended to help local authorities consider the impact of scheme design on work incentives, and we are aware of a range of approaches being taken by councils to incentivise work. These include not only changes to the taper, but also maintaining higher levels of support for longer periods after people enter work to ease the transition, and disregarding higher levels of earned income when calculating support.
- Ultimately, it is not in local authorities' interests to design schemes that lock residents into a cycle of worklessness, low aspiration and a continuing demand for support, and we do not intend to collect information on the decisions they have made in relation to the taper.

Recommendation 22: Bringing confusion (Universal Credit and Council Tax Support)

Bringing Housing Benefit into Universal Credit (UC) while localising Council Tax Support means that claimants who assume that under Universal Credit all benefits will come as a single payment will still have to make two separate applications for Universal Credit and Council Tax Support (CTS) to two

separate bodies. This will cause a level of confusion for some claimants. DWP should ensure in the guidance it provides for Universal Credit claimants that it makes it clear that a Council Tax Support claim has to be made separately to the local authority. (Paragraph 97)

Recommendation 23: There is potential for confusion among claimants with the separation of Council Tax Benefit from Housing Benefit as well as for duplication of administrative tasks. This situation could be improved by making it possible to transfer information from Universal Credit to local authority Council Tax Support systems. DWP and DCLG should have begun work to develop a system to passport claimant information between Council Tax Support and Universal Credit rather than require claimants to submit the same information twice to two separate bodies. DWP should now make it a priority to achieve passporting between Council Tax Support and Universal Credit, in order to help claimants and limit confusion resulting from the separation of housing and council tax benefits. (Paragraph 102)

- Council tax is a local tax; the Government believes that it makes sense for councils to be responsible for taking decisions about the levels of reduction to be granted to low income working age claimants, and for providing that support. Local schemes should reflect local needs and local authorities are best placed to make these decisions.
- We agree that data sharing is an important way of maximising convenience and reducing complexity for claimants, while also helping to reduce administrative costs.
- DCLG and DWP continue to work closely to ensure that existing systems continue to provide data to authorities until the roll out of Universal Credit. We are also putting in place the necessary legal powers and IT systems to enable data generated from Universal Credit claims to be available to local authorities to establish eligibility and calculate awards in accordance with the rules of local schemes.

Recommendation 24: Time constraints

We welcome the Government's introduction of a grant to assist local authorities with Council Tax Support schemes that meet certain criteria. However, we note that the lateness of the announcement and the fact that the grant is only available for 2012–13 has, regrettably, introduced confusion and uncertainty into the development of local schemes. We also note that only 59 per cent of local authorities qualify for the grant meaning that the rest will need to meet the full cost of the schemes either by reducing the money they pay to working age claimants or by making cuts in other budgets. (Paragraph 110)

- The Government routinely reviews policy and responds to ensure our objectives are met. The transitional grant scheme, announced on 16 October 2012, was a direct response to those authorities who were

proposing schemes which placed what the Government considered to be an unacceptable burden on the very poorest.

- The criteria for the grant were clear, the amount of funding available to each authority was set out when it was announced, and the process for claiming it was straightforward. We are pleased that 60 per cent of local schemes agreed by billing authorities were eligible for the grant, and that more than two thirds of local authorities will share around £51 million of funding as a result. The transitional grant was additional money which councils could decide to take up or not.
- Councils that have decided not to take up additional government funding that could have helped them protect low income families and design good local support schemes will need to be able to explain their reasons to local people
- Local authorities were provided with their indicative funding allocations in June 2012. The value of the grant to each local authority was published in October providing sufficient time for local authorities to make a considered decision as to the design of their local scheme and its compliance with the grant.

Recommendation 25: Funding for administration

The withdrawal of one element of benefit administration—for Housing Benefit—from local authorities will not proportionately reduce their administrative costs. In addition, the level of local authority involvement in administering the housing element of Universal Credit has not yet been set out by the Department for Work and Pensions. It therefore does not make sense to withdraw the Housing Benefit Administration Grant in its entirety until the actual cost to local authorities of administering Universal Credit is known. We recommend that the Department for Work and Pensions provide local authorities with certainty over the level of Benefit Administration Grant that they will receive until the end of the Spending Review period. The level of the grant should accurately reflect the level of cost to local authorities of developing and administering the welfare changes. (Paragraph 115)

- The Administrative Subsidy has been a contribution to local authority costs in administering both Council Tax Benefit, now replaced by Council Tax Support, and Housing Benefit. Around 80% of these costs are shared. DCLG and DWP are working to ensure that local authorities continue to receive the share of this subsidy that relates to ongoing Council Tax Support administration.
- DWP is working directly with a number of local authorities to understand the impact on local authority cost base of Housing Benefit claimants migrating to Universal Credit and Pension Credit. A key determinant of the impact on costs is the schedule of claimant migration. The Department continues to review its plans for claimant migration. The implications for

Housing Benefit Administration grant across future years can only be established when the plans for claimant migration are formally agreed.

Recommendation 26: Local authority staff

Local authority staff as well as the large numbers of staff of contractors used by local authorities affected by the changes to welfare need certainty about whether they will be able to retain their current jobs or have the opportunity to transfer into a different role. The danger of leaving staff in the dark about the forthcoming changes is that some of the most employable of them will decide to leave before the reforms come into effect. This could put claimants at risk of receiving a reduced service and local authorities with the problem of having to find and possibly train temporary staff to fill the gaps. The Government must as a matter of urgency set out to local authorities the details of the administrative changes that they will need to make, including the timetable, so that they can give their staff and contractors the certainty that they deserve. (Paragraph 122)

Recommendation 27: Housing Benefit fraud

We are concerned that during the transition period before local authorities hand over Housing Benefit to DWP a reduction in experienced local authority housing department staff will leave the system more vulnerable to fraud. The Government should ensure that local authority housing departments are provided with the administrative funding they need to manage the transition to Universal Credit and prevent staff leaving prematurely. (Paragraph 125)

Recommendation 28: Housing Benefit fraud

We welcome assurances from the Government that the new IT system for Universal Credit (Integrated Risk and Intelligence Service) will incorporate local housing data to enable effective Housing Benefit fraud detection. However, it is worrying that the system still seems to be at the development stage. It is incumbent upon DWP to ensure that its system is ready in time for the changes. We will monitor the way in which the system is implemented and its effectiveness as the reforms progress. (Paragraph 126)

- DWP is working with DCLG, the Local Government Association, and the local government sector more widely on the possible resource implications of Universal Credit. When more detail is available, we expect to be in a position to provide the necessary information to assist resource planning by local authorities in respect of their staff and contractors.
- Local authorities already play an important part in supporting people who need additional help to access services, and this will continue under Universal Credit. DWP will continue to work with local authorities to ensure the right level of support is available to claimants in their local area when they move onto Universal Credit. The Local Support Services Framework, produced collaboratively with local authorities, and published on 11 February 2013, sets out the principles for that support.

- DWP provides local authorities with money to administer Housing Benefit in an efficient, secure and effective way. It is for local authorities to manage their resources, but Departmental officials will continue to work closely with them to share information and best practice and therefore help ensure that benefit and anti-fraud activities are delivered efficiently and effectively.
- The new Integrated Risk and Intelligence Service (IRIS) will be a hub for data and intelligence on fraud, error and debt. This new system is being delivered in phases to ensure that it is in a position to deliver robust protection against the wide range of threats that Universal Credit may face. Stage 1 Integrated Risk and Intelligence Service went live along with the Universal Credit Pathfinder on 29 April 2013. The two Programmes will continue to work closely together to ensure that Universal Credit is protected by security systems that integrate counter-fraud, cyber and identity assurance capabilities.

Recommendation 29: Local authorities' IT systems

Sharing information effectively through ICT systems will be critical to the implementation of welfare reform. Some councils have been able to handle data transferred to them by DWP through ATLAS but this may have been more by luck than planning. DWP told us that it was confident that ATLAS would cope. It is less clear that it gave sufficient attention to ensuring that local authority systems would be compatible with ATLAS and we recorded a significant level of dissatisfaction from them. The consequences of ICT system failure would be significant as large volumes of data will be transferred between DWP and local authorities. It is therefore of crucial importance that the necessary ICT systems are integrated and working efficiently in time for the changes. (Paragraph 132)

- The Government fully accepts the importance of data sharing to underpin the implementation of welfare reform and will continue to build on the effective working relationships that exist between the Department, its own IT suppliers and the companies that provide local authorities with their software. Successful data sharing is dependent on the ability of systems to 'talk to each other' and DWP will continue to work with suppliers and the local authority community to ensure this happens.
- The ATLAS project delivered very significant savings to the public purse through the reduction in Housing Benefit and Council Tax Benefit fraud and error. The ATLAS project team worked well with local authorities and their IT suppliers to ensure that relevant data was made available to local authorities in a machine readable format, enabling them to achieve substantial efficiencies as changes could be processed without the need for human intervention. Some local authorities commented on the high volumes of notifications they received but increased volumes were to be expected given that the project's aim was to ensure local authorities discovered changes not previously notified to them by claimants. The

volumes local authorities received were very much in line with forecasts and had been communicated to them in advance.

Recommendation 30: Digital by default

Moving claims and services online has the potential to result in reduced costs for both central government and local authorities in the longer term. However, savings from the move to digital claims should not be achieved at the expense of failing to provide transitional funding for local and central government to provide support to vulnerable claimants. Whether local authorities or advice charities should take the lead in offering such services needs to be determined and the Government should set out what specific funding will be available within the next five months. (Paragraph 136)

- Most people on low incomes manage their money well and regularly use the internet to carry out everyday activities such as shopping, banking and carrying out job searches. The introduction of Universal Credit and Universal Jobmatch provides us with an opportunity to look again at the support households may need in this new environment.
- DWP wants to ensure that claimants requiring additional help to make and manage a Universal Credit claim get the support that they require.
- The Universal Credit Local Support Services Framework (published in Feb 2013) describes the intention to deliver this support through a network of local services. DWP has been working closely with local authority partners to identify the services that may be required and to decide who is best placed to deliver them.
- DWP is working with local authorities and local authority associations to estimate the cost of local support services. We are still working through the details of the final funding instrument for services to be provided under the framework but are hoping to have this agreed between DWP and the local authorities associations over the next few months.

Recommendation 31: Financial risks

We welcome the Government's assurance that it will assess the total cumulative cost to local authorities of its reforms. We hope that this assessment will be comprehensive rather than simply assessing each reform separately and include an indication of what additional funding would be available where additional burdens are identified. We have called in this report for the Government to meet with the Local Government Association to discuss the effects of specific burdens on local authorities. These meetings should include discussion about the overall impact of the changes. (Paragraph 143)

- DWP is assessing the financial impact of the welfare reforms in line with the Cabinet Office agreed new burdens doctrine, and DCLG has undertaken an assessment of the new burdens costs of localising council tax support. DWP's Welfare Reform new burdens assessments include:

- the Benefit Cap;
 - Removal of the Spare Room Subsidy;
 - Local Housing Allowance;
 - Social Fund and
 - Universal Credit (where DWP and DCLG are working together to establish the impact on administration costs, currently shared between Housing Benefit and local council tax support).
- DWP will monitor the cumulative impact of Welfare Reform assessments in line with the new burdens doctrine. The new burdens assessment will be reviewed in the light of any clear evidence of emerging changes in costs and DWP will provide additional funding as appropriate.
 - DWP have consulted with the local government associations on the new burdens assessments while they were being developed and will continue to do so.



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