

Working together to deliver a fair and effective welfare system

Purpose of report

For discussion.

Summary

This paper is to update members and ask for views on the Local Government Association's current and future priorities for joint working between national and local government to design and deliver a fair and effective social security system.

Recommendation

For Members of the Resources Board to discuss and agree the LGA's priorities and work programme.

Action

Officers to take forward work in line with members' steer.

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Background

The cumulative impact of welfare reform

1. We are at a crucial point in the implementation of the Government's wide-ranging reforms to the social security system. The most substantial reforms have been made to working-age welfare benefits, with significant changes to eligibility and entitlement sitting alongside the introduction of Universal Credit.
2. We now have considerable evidence of how the cumulative impact of welfare reform is affecting households, communities and services, in particular the growing shortfall between incomes and living costs, which was highlighted in the recent reports commissioned by the LGA from the Learning and Work Institute (LWI) and Policy in Practice. We also have a growing understanding of the possibilities and limitations of Universal Credit, with vital implications for the continued role of local government in administering benefits and supporting claimants.
3. The LGA and local authorities have long pressed the Government to recognise more explicitly that welfare benefits are part of a wider social security system, which includes **housing and employment support, as well as having important links to public health and financial inclusion.**
4. The LWI report highlighted how difficult it remains for many councils to support households to respond positively to the reforms. People need to be able to make informed decisions about where they can afford to live, how to get a better job, how to balance work and childcare, how to access affordable credit and furnish their home. They may have turned to the state for help and advice because they have lost their job, their relationship has broken down, they have become ill, their rent has increased, they have been bereaved; they may be struggling to manage their money and be vulnerable to debt.
5. Recent announcements and policy developments, for example the Homelessness Reduction Act and targeted support for workless households, will only deliver their intended outcomes if we ensure that they are integrated with support and incentives in the welfare system.

Universal Credit

6. The LGA has highlighted a number of concerns about the continued expansion of Universal Credit including significant increases in debt and arrears and impacts on support for vulnerable claimants.
7. The Budget included a number of further amendments to UC. These are intended to alleviate the risks associated with the initial payment period, which is welcome, but they necessitate both a further set-back of the roll-out schedule, and a change to the Live Service (which currently precedes the Full Service).

8. We accept that measures are being put into place to address some of these concerns, but in effect councils are delivering housing benefit and support for vulnerable claimants alongside an uncertain and evolving programme, and playing an essential and challenging role in mitigating a wide range of transitional and systematic issues.

Local safety net

9. The success of the national benefits system has long depended – and will continue to depend - on an effective local safety net.
10. This provides tailored and additional support and advice to enable households to cope with reductions in welfare spending, as well as a whole range of short-term financial shocks, transitions and personal crises such as bereavement or move-on from short-term accommodation.
11. Without this vital aspect of the social security system, households are vulnerable to further crises including arrears, homelessness, debt and ill health. These issues often present considerable additional costs to the public sector if they are not resolved at the earliest opportunity.
12. The inclusion of local funding for Universal Support (for Personal Budgeting and Assisted Digital) within UC is positive. However, referral rates from Job Centre Plus in some areas are low.
13. Since the removal of separately identified funding for local welfare assistance (former Social Fund), funding for this aspect of the system is increasingly piecemeal, short term and insufficient.

Housing Benefit (HB) administration

14. Local authorities will continue to have a much more substantial role in HB administration than originally proposed under UC.
15. We will continue to administer HB for pensioners for the foreseeable future.
16. HB for Temporary Accommodation is clearly better managed locally; Government confirmed its removal from UC in the Secretary of State's speech following the Budget. We have also had the recent announcement that sheltered and long-term supported accommodation will remain in the welfare system. While this is welcome, we know that HB for these supported exempt accommodation is also likely to remain outside of UC.
17. The Budget also included an announcement of a 'transition to UC housing payment'. The proposal is for this to be delivered via a two-week run-on of HB, which will place a considerable administrative burden and additional reputational risk on councils.
18. We are also providing support on other limitations of UC service design, for example the two-child tax credits limit.

19. Despite high levels of change and uncertainty, and considerable delays to the implementation of UC, councils have reduced HB staff by a quarter, at no cost to DWP.
20. Work carried out by the Associations with DWP Housing Delivery Division (HDD) suggests that the funding shortfall in some local authorities may be up to 60 per cent, and that even for authorities who are currently managing to deliver within the current funding constraints any further reductions in the administration grant will impact on delivery.

Priorities

21. The LGA, therefore, has the following headline asks:
 - 21.1. That the Department for Work and Pensions and Her Majesty's Treasury properly recognise the delivery partnership with local government and provide long term certainty and sufficient resources for us to deliver an efficient and effective revenues and benefits service to our residents.
 - 21.2. That the local safety net and essential support for vulnerable claimants is properly recognised and resourced. This should include an urgent and thorough review of Discretionary Housing Payment, Universal Support and Local Welfare Support (former Social Fund).
 - 21.3. That Government engages with local authorities at the most senior level to ensure that we are working towards shared outcomes, and that national policies and delivery on benefits, housing and employment are fully integrated at both a national and local level.
 - 21.4. That Government works with the sector on an urgent review of the reforms to Housing Benefit (HB) to ensure that they are having the desired impacts on household behaviour, landlord behaviour and the cost of subsidised housing. This includes the Local Housing Allowance rate, the 'spare room subsidy', the benefit cap and restrictions on HB for younger people. Where they are not having the intended outcome either revise the policy and / or work with councils on how to support positive and sustainable behavioural responses.
 - 21.5. That Government works with local authorities and key partners including JCPs to provide a clear, evidence-based description of support for employment and progression within UC, including the role of councils in employment support. It was positive that there was identification of specific funding for this work in the Budget.
 - 21.6. That Government delivers its response to the DWP consultation on 'improving lives' – the disability employment green paper and some firm proposals on improving outcomes for ESA claimants. The LGA has considerable concerns about the treatment of ESA claimants within UC that need to be addressed.

Work Programme

22. The LGA liaises regularly with the department, councils and other stakeholders, to discuss and progress the key priorities set out above. Key engagement forums include:

- 22.1. Universal Credit Programme Board;
- 22.2. Partnership Forum;
- 22.3. Welfare Reform Steering Group;
- 22.4. Practitioners Operation Group;
- 22.5. Complex Needs Steering Group; and
- 22.6. Chief Finance Officers networking group.

23. The LGA will also deliver a number of research and improvement projects to gather evidence on impacts and practice, and to propose and share effective approaches to supporting low income households. Key pieces of work to be delivered include:

- 23.1. Research on the local effectiveness of UC in improving work incentives. This will look at whether UC is improving employment and progression, and consider how councils can work with national government and local partners to improve claimants' prospects, pay and progression. To be delivered by Policy in Practice in partnership with local authorities by March 2018.
- 23.2. Research on the current use of Discretionary Housing Payments.
- 23.3. 'Reshaping Financial Support'. This project will look at advice, support and literacy; access to financial services and affordable credit, the impact of the wider policy, social and economic context and access to affordable financial services in partnership with the Centre for Financial Inclusion. Case study research and improvement work this year will form the basis of joint pilots in 2018/19.

24. The welfare work stream will also contribute to integrated work on:

- 24.1. Supported Housing;
- 24.2. Homelessness prevention;
- 24.3. Employment and progression for disadvantaged jobseekers;
- 24.4. Health inequalities;
- 24.5. Support for disabled people;
- 24.6. Improving family and children's outcomes; and

24.7. Community cohesion.

Financial Implications

25. While Government has committed to New Burdens funding for the further changes proposed in the Budget it is not yet clear how the appropriate level of funding will be determined. There are considerable risks to local authority finances, both *directly*, primarily from Housing Benefit administration grant and debt recovery, and *indirectly*, for example from an increased risks of homelessness as a consequence of the private sector Local Housing Allowance (LHA) rate.
26. This work forms part of the LGA's core work programme and has been accounted for in the 2017/18 budget. Funding for the Partnership project with the Centre for Responsible Credit has been identified and agreed within LGA Improvement.