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Universal Credit Implementation

When we had our very useful meeting last month, I promised that I would set out for you a considered LGA officer view on some of the key open questions about the implementation of Universal Credit once our Executive had held its political first reading on the issue. That discussion took place just before Christmas.

In general, we are supportive of the overall direction of travel for welfare reform and consider that the simplification and focus on work incentives represented by Universal Credit ought to be very positive. Councils will take a very close interest in the impact of the reforms on employment and poverty in their communities, and on housing markets. For now, though, our concerns focus on four issues:

- the need for clarity about the proposed operational delivery model for processing and customer contact under Universal Credit; the concern here is both about achieving the best value for money solution, and about achieving the best customer experience;
- the financial risk transfer that may be involved in localising council tax benefit;
- the financial and delivery risks of localising Community Care Grants and Crisis Loans within the Social Fund;
- the implications for council staff of the changes, including the proposed single fraud inspectorate.

As you will immediately appreciate, this list reflects our members' wish to take a holistic view of how places will be affected by the proposed welfare reforms, and how Universal Credit will work as part of a system; this means councils will focus on the linkages between these different elements even though some of them (the new fraud strategy in particular) may fall outside the agreed scope of the Universal Credit project governance.

These concerns are also being raised by local authority advisers; they were expressed in the first joint workshop between advisers and DWP on 10 December 2010.

In more detail:

- On the delivery model, I think we have three asks of the project:
 - (i) many councils, especially districts and including the District Councils' Network which is their voice within the LGA, want to see a proper evaluation of the option of using councils' benefit processing operations to manage the Universal Credit back office; this is also a concern expressed by professional groups;
 - (ii) that the proposed council role in respect of "complex cases" and pensioners needs to be clarified; and that, as most transactions move online, Ministers should consider localising the governance of delivery arrangements for direct face-to-face customer contact, including sanctions and other interventions for mainstream claimants of out-of-work benefits; this links with our view, below, on the future of the Social Fund and fraud inspection;
 - (iii) as the delivery model is settled, decisions need to be informed by a proper assessment of the implications of change for customers, employees and councils, and of the associated costs – including, for example, the costs of changing contracts with software suppliers; this will need to be informed by a clear sense of the timetable for change and a backup plan should the ambitious targets not prove achievable;
- we have already discussed the potential for localisation of council tax benefit to transfer open-ended financial risks to council tax payers who are not benefit claimants; we need, first, to model and assess those risks and then to develop options for managing and/or sharing them. But despite that we consider that localisation is probably a great deal better than the main alternative - including CTB in Universal Credit - which we fear risks a return to unacceptably high levels of non-payment of local taxation.;
- the proposed localisation of community care grants and crisis loans also threatens to transfer some potentially uncomfortable financial and reputational risks to councils, especially at time of wider turbulence in the welfare system; but at the same time we understand that these schemes are not going to be well-handled through online and high-volume channels; it seems to us, therefore, that the future of the social fund is an important part of the conversation about the future customer experience and links to decisions about the future of frontline customer contact;
- we are comfortable with the idea of bringing fraud inspection together across agencies at local level; what is not yet clear, though, is whether what is proposed

is – as it sounds – a new national agency, or simply a model for joint working (along the lines already in place in Leeds). A decision here needs, in our view, to be informed by solid evidence on costs and benefits, and my politicians are not at this point persuaded that the business case for creating a new national agency has been made out.

We very much want to make these points, as you rightly asked at the recent Programme Board, in a constructive way. So we are hoping we can do more than simply set out the local government view. I have mentioned in the indents above a number of questions where some rapid options appraisal and analysis is needed; we are very willing to help with developing those assessments where they are needed, as well as helping to put you in touch with practitioners whose views and evidence you can draw on. And of course, we also stand ready to help the project team develop implementation options that reflect the evidence about what are going to be the most effective, cheapest, and lowest-risk solutions to the practical questions the UC project faces.

I look forward to picking the discussion up with you soon.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Raynes', with a long, sweeping horizontal stroke extending to the right.

Paul Raynes
Programme Director

Item 4, Annex A