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Welfare reform: update and the council role in universal credit

Purpose of report

For discussion and direction.

Summary

This paper provides an update on the Government's welfare reform plans and the LGA's programme of work.

Recommendation

Members are asked to:

1. confirm that they are happy for the work described here on the future council role in Universal Credit to proceed as described;
2. offer views on the kind of proposition they would hope to see emerge from that work;
3. agree to offer comment on the draft document at **Appendix A**;
4. give any further guidance on the wider programme of LGA work on welfare reform.

Action

LGA Officers to proceed as directed.

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Welfare reform: update and the council role in universal credit

Background

1. Now that the Local Government Finance Bill has been passed by Parliament, the main lines of the Government's welfare reforms for working age people have been fixed. The central elements of the reformed system are these:
 - 1.1. for most working-age claimants, most existing benefits and tax credits will be replaced by a single monthly payment, made to households and not individuals, called Universal Credit and intended to cover all living costs including housing;
 - 1.2. Disability Living Allowance will be superseded by a new Personal Independence Payment.
2. Alongside and as part of this simplification of the benefits paid by central Government, two significant responsibilities will be passed to councils:
 - 2.1. support for less well-off council tax payers will now be set by councils and treated as local discounts to Council Tax, funded by a grant worth 10 per cent less than this year's spending;
 - 2.2. emergency welfare support – the former Discretionary Social Fund – will be the responsibility of social services authorities.
3. There will also be a number of changes that are intended to reduce welfare spending without significantly changing the structure of the system:
 - 3.1. total benefit entitlement for those not in work will be capped at £500 per week for couples and lone parent households and £350 per week for single person households, and enforced by a reduction in housing benefit;
 - 3.2. a limit will be imposed on the number of bedrooms in each household which housing benefit will fund;
 - 3.3. councils will be allowed to discharge their housing duty in the private rented sector;
 - 3.4. child benefit will be limited for higher-rate taxpayers.
4. Formally, much of this change is due to take place with a big bang next April. But it will in fact take a long time to put the whole new system into place. Different elements will be developed and rolled out at different paces, too. The overall timetable, as we understand it, currently looks like this:

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April 2013	Local council tax support schemes introduced Local social fund arrangements in place Benefit cap applies Bedroom cap applies Universal Credit “pathfinder” begins in Greater Manchester PIP Introduced
October 2013	Universal Credit extended to more clients
April 2014	Universal Credit extended to more areas
2014 - 2017	Existing clients transferred from legacy benefits to Universal Credit.

5. All of these measures will affect councils. They affect councils for at least the following reasons:
- 5.1. whatever affects local residents affects councils; in particular, whatever makes it likely that residents will seek help from councils with their housing, financial, and family problems, demands a response from councils;
 - 5.2. changes to housing benefit are putting burdens on benefits departments to implement the direct changes, and on benefits and housing departments to manage the consequences as tenants and landlords change their behaviour in response to reduced income;
 - 5.3. the localised welfare support arrangements will not only require social services authorities to implement new arrangements, and create financial risks for those councils, but also demand new ways of working between counties and districts in two-tier areas;
 - 5.4. the introduction of localised council tax reliefs creates large and novel political and financial risks for councils, and redefines council tax relief as no longer a part of the benefit system;
 - 5.5. the eventual migration of all council benefit claimants to Universal Credit fundamentally redefines the relationship of councils to the welfare system and to the parts of central Government that administer it; potentially, it eliminates that relationship and ends the council role in benefits altogether.

What LGA is doing on welfare reform

6. Members will be aware of much of the work we are doing on this broad canvas of welfare reform. Progress so far has been reported to the Executive and to the Finance Task and Finish Group, in particular at the Executive’s meetings of May 2012 and June 2012. Main points include:
- 6.1. we have made a very intense and sustained effort to shape and challenge the Government’s approach to localising council tax support; in the event, while we made some progress with flexibilities within the new system, we were unable to persuade national politicians to accept the main changes we wished to see to the Local Government Finance Bill; we are now engaged in tough negotiations with

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DWP about the amount of funding that needs to be transferred to pay for the new system: the Government's forecast that CTB caseloads are falling is demonstrably wrong and we are challenging it; this issue needs to be resolved in the next couple of weeks before the Autumn Statement and Settlement;

- 6.2. we have surveyed councils to monitor the current and anticipated impact of housing benefit changes on citizens, council finances, and the housing market, although in advance of the main changes coming into effect, and with the workings of the housing market affected by the overall economic situation, it is hard at this stage to make a robust assessment of the impact;
 - 6.3. we have worked to spread awareness of the changes among councils, and to share experience and learning; the welfare reform section of the Knowledge Hub currently has 237 users;
 - 6.4. we have also produced a document aimed at elected members with some prompts for scrutinising their council's response. A draft of this document is attached at **Appendix A**;
 - 6.5. we have played a formal role in the governance structure of the Universal Credit programme; we have persuaded DWP to run pilots of the potential council role in supporting Universal Credit clients for the future; and we are engaged in discussion with DWP in which we are challenging the department's interpretation of the TUPE position of local authority staff with regard to the future UC delivery structure.
7. We have supported this work with regular ministerial and official contacts across central Government on welfare reform issues. Within the LGA, welfare reform has been treated as an issue concerning a range of teams including Finance, Housing, Community Wellbeing, and Improvement.

The council role in Universal Credit

8. For most of this agenda, we know what the Government's reform policies are, and what councils' formal role is in implementing it and/or helping citizens respond to the changes as they affect them. Large uncertainties remain about exactly how effects will play out, and what councils' costs and funding position will be.
9. The range of uncertainty about Universal Credit is much greater because as things stand we simply do not know whether councils have a formal role and if so what it is going to be. Almost without exception, councils have told us at both political and officer level that they believe they should and will have a role in serving Universal Credit claimants. This reflects a range of opinions, from an enthusiastic ambition to provide the full Universal Credit offer, to a more reluctant recognition that many claimants with financial or housing problems which cannot be resolved by DWP will inevitably look to their council for help.
10. There is a more widely held view, too, that adequate support to claimants from councils is one of a number of factors without which Universal Credit is unlikely to succeed.

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Although Universal Credit is intended to be a digital service by default, as many as half of current housing benefit claimants require face-to-face support and would be unable as things stand to make online claims. Because of the structure of Universal Credit – monthly single payments, to households and not individuals, covering housing costs as well as general living expenses and with direct payments to landlords an exception rather than the rule – it is not going to be possible to introduce it without at the very least significant support to claimants in making the transition, and most likely with an ongoing need for face-to-face contact for a significant minority of claimants.

11. LGA elected members have taken the view that it is our job to try and achieve clarity about what the council role in Universal Credit will be so that councils can plan for the future.
12. As members will be aware, we have made a degree of progress in taking this mandate forward. In particular, we persuaded DWP to run a set of council-led pilots which are exploring ways of providing joined-up face-to-face support to claimants, and helping migrate claimants to on-line claiming. Details of the pilots are in the announcement set out at **Appendix B**. DWP have committed to take the learning from the pilots into account in developing their service design for Universal Credit. As part of the pilots announcement, Lord Freud – the Minister for Welfare Reform – has made it clear that he believes councils have a future role in the delivery of Universal Credit.
13. Over recent weeks, officers have held further discussions with DWP as a result of which the department has agreed to develop an explicit account of the possible future role of councils, and open up a process of debate and co-design with the sector during the early part of next year. We have established a joint “task force” which brings together officers from LGA, WLGA, CoSLA and DWP and is charged with recommending to Ministers a proposition on the DWP’s future relationship with local government in Universal Credit delivery. Once agreed by Ministers, that proposition would be made public early next year, and further developed in the light of the sector’s response and learning from the pilots areas and the Greater Manchester UC Pathfinder. The “task force” will be supported by a reference group of council chief executives and revenue and benefits experts.
14. Officers will set out at the Panel meeting more detail of the potential content of this work.

Recommendation

15. We would be grateful if members would:
 - 15.1. confirm that they are happy for the work described here on the future council role in Universal Credit to proceed as described;
 - 15.2. offer views on the kind of proposition they would hope to see emerge from that work;
 - 15.3. agree to offer comment on the draft document at **Appendix A**;
 - 15.4. give any further guidance on the wider programme of LGA work on welfare reform.