

Update on Welfare Reform and Universal Credit

Purpose of report

For decision and direction.

Summary

This paper briefly updates Members on:

1. The local implementation of the Government's welfare reforms and our recently published research on local impacts.
2. The current position of the Universal Credit Programme and the local authority face-to-face pilots.
3. The current position on the implementation of the Single Fraud Investigation Service.

Recommendations

That the Finance Panel:

1. note the update on local implementation of the welfare reforms and share their views on the implications for LGA priorities;
2. note the update on overall progress of the Universal Credit programme and the local authority face-to-face pilots and give a steer on the work around outcome based payments; and
3. note the update on the Single Fraud Investigation Service and give a steer on how this should be approached by the LGA.

Action

Officers to take forward, as directed by Members.

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Update on Welfare Reform and Universal Credit

Part 1: Update on implementation of the reforms to date

1. Local authorities and their partners have had a central role in the implementation of the reforms that have taken place to date. These include the two high profile reforms to be delivered through Housing Benefit: the social sector size criteria and the benefit cap. Despite considerable controversy about the potential impacts on low income households and intense media scrutiny, it is worth noting that councils and their partners have quietly got on with the job of landing the reforms as safely as possible.
2. Building on our recently published research on the local impacts of the reforms, we propose undertaking a number of pieces of work that will continue to support local implementation and inform our continued policy discussions with the Department for Work and Pensions (DWP). These include:
 - 2.1. Research on the use, sufficiency and appropriateness of Discretionary Housing Payment as a key way for local authorities to support households unable to otherwise manage or mitigate the impacts of the reforms.
 - 2.2. A review of the local welfare support that has replaced the nationally administered Social Fund.
 - 2.3. Continuing to press Government for the freedom and flexibility to address the under-supply of appropriate, affordable housing and local approaches to training, work readiness and employment.
3. These will sit under the proposed Finance Panel work programme headings set out under item one of the agenda.

The local impacts of welfare reform

4. The research on the local impacts of welfare reform, which the LGA commissioned from the Centre for Economic and Social Inclusion (CESI), was published on 12 August. It has been welcomed by the sector and a wide number of councils have made use of the modelling tool on both the LGA and CESI websites. The LGA pages hosting this content were among the most trafficked sections of the LGA website during August and early September.
5. Cllr Sharon Taylor, Chair of the LGA's Finance Panel, was interviewed on Sky News about the findings. The research also featured on the front page and in a double page spread of the **Independent** and in the **Mail, Mirror, Telegraph, Times, Guardian Online** and **ITV Online**.
6. Officers and Members have publicised the findings within the sector with a number of events and groups including the Rural Commission, the County Councils Network and the Local Government Delivery Council.

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7. CESI have also produced a number of local authority case studies to accompany the report and the modelling tool. These are available on our website:
www.local.gov.uk/finance.

Part 2: Update on Universal Credit

Universal Credit Pathfinderers and National Rollout

8. The Department for Work and Pensions (DWP) is increasingly recognising that there will be a role for local government in the delivery of frontline support for Universal Credit (UC).
9. All Pathfinder locations of Ashton-under-Lyne, Wigan, Warrington and Oldham are now taking claims for UC.
10. Universal Credit will now roll-out to the regions, with six hub Jobcentres – Hammersmith (October 2013), Rugby and Inverness (November 2013), Harrogate and Bath (February 2014) and Shotton (March 2014) – taking new claims to the benefit. This plan continues what DWP sees as the “safe approach” to delivering welfare reform. The LGA welcomed the DWP’s announcement as it provided clarification about the re-phasing of the rollout programme, which had been much anticipated. Some disappointment was expressed that the opportunity to use more of the local authority (LA) face to face pilot sites within the national roll-out programme was not fully utilised. Suggestions have also been made to the DWP that the 6000 new computers need not be solely located in Jobcentres in order to support claimants.
11. After much lobbying by the LGA and the sector, a further announcement was made by Lord Freud on 1 August 2013 in which he recognised the need for providing local government with certainty for planning purposes. He therefore guaranteed that DWP would “maintain the level of funding required to manage the full administration of Housing Benefit in 2014 to 2015.” The LGA welcomes this announcement and the clarity it provides.

Universal Credit Partnership Forum

12. The LGA has now set up and held two meetings of the UC Partnership Forum, the most recent of which took place on 3 September. The Forum has senior representatives from local government and the Associations, DWP and DCLG. Its remit is to enable stronger engagement from local government in the UC programme.
13. Finance Panel members gave us their views on DWP’s Strategic Intent Document (SID) for UC in August. These views were presented to Howard Shiplee, Director General of UC and colleagues at the Partnership Forum on 3 September. Key points included:
 - 13.1. This is not just about delivering an IT project; it is also about people and behaviour change. We welcome the fact that local authorities are clearly identified and value is placed on the interactions we provide, but we think the human dimension needs to come out more strongly.

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- 13.2. Local authorities have concerns around broadband coverage, the process for making decisions around exemptions from UC and data sharing.
 - 13.3. There is a contradiction within the SID around the provision of services to a claimant group versus tailoring to individual needs.
 - 13.4. Money for local support should fund outcomes not specific services.
 - 13.5. The document does not consider the vital broader role local councils have to play in supporting claimants beyond just housing benefit.
 - 13.6. There is a need for more detail around the redesign of welfare to work schemes.
14. Howard Shiplee also informed the Forum that Lord Freud has asked for a new Ministerial level group to be created that will look across welfare reform with a focus on Universal Credit.

Local Support Services Framework

15. In his 1 August announcement, Lord Freud also outlined the next steps for the Local Support Services Framework (LSSF) (see **Appendix B**). The LSSF is the high level document which outlines the specific role local government will play in helping to support UC claimants.
16. An updated version of the LSSF is due to be published in November 2013. Significant discussions are taking place about the update and some issues still need further clarification. The LGA has stressed that the updated version must retain a clear commitment to partnership working. It also needs to provide information which will clearly help local authorities plan for the future. These discussions are on-going and a draft copy of the LSSF should be available for Finance Panel members to comment on by the end of the month.
17. As part of the discussions around the LSSF, DWP have started a dialogue with the LGA around payment formulas for local authorities. The suggested formula is made up of 3 components: a fixed funding element (for upfront costs), activity based funding (dependent on volumes) and an outcome based payment (dependent upon the outcome achieved by the council for each customer). There are however, some views within the sector that as clients are being phased onto UC, councils need to receive fixed funding without outcome based payments until a sufficient volume of clients have been transferred over to the UC system.
18. There has been no clear indication yet of what percentage of a local authority's payment would be dependent on outcome measurements or how much money is available to fund these sorts of payments. Work has begun by DWP officers to develop some potential outcome measures which could be tested out by some councils over the next 18 months. These measures have been outlined in **Appendix A**.
19. **Members are asked to indicate whether they support the concept of a 3 part formula, and in particular the outcome based payment element.**

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20. **Members are also asked whether they are happy to support outcome measures being tested out in a limited number of councils over the next 18 months.**

Local authority-led face-to-face pilots

21. The pilots continue their good work. They were due to end in September. However, following lobbying from the pilots and the LGA, they have now been extended and received additional funding to the end of December. Over the next few months the pilots will be seeking further opportunities to test out elements of the LSSF as well as continuing the work outlined within their initial pilot bids.
22. The programme of pilot open days will kicked off in September. The first two events in North Devon and Melton were extremely well attended by officers, Members and partners from all over the country and showcased a wide range of successful and innovative local approaches to partnership working and support for customers. Additional places have been made available to meet demand. The full programme is listed below:
- 22.1. North Dorset – 6 September.
- 22.2. Melton BC – 10 September.
- 22.3. LB Lewisham – 23 September.
- 22.4. Oxford City Council – 1 October.
- 22.5. Rushcliffe BC – 14 October.
- 22.6. Bath and North East Somerset Council – 21 October.
- 22.7. Birmingham City Council - 12 November.
- 22.8. West Lindsey – 27 November.

Single Fraud Investigation Service Update

23. In 2011, DWP set out its intention to set up a Single Fraud Investigation Service to take ownership of all benefit fraud. This would reflect the changing responsibilities for benefit administration under the introduction of Universal Credit. It was agreed that DWP would test a partnership approach; they would then review this at a later date. At the beginning of 2013 they launched four pilots to test a single set of policies and procedures and also to identify the best delivery model for the future. An additional fifth pilot also went live in April and four more will be implemented over coming months.
24. DWP are in the process of finalising the Business Case and have been considering the options for delivery, these have included:
- 24.1. Introducing SFIS as a partnership;
- 24.2. Introducing SFIS as a single organisation within DWP;
- 24.3. Introducing SFIS as a single organisation, but owned by another organisation;

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- 24.4. Delay the introduction of SFIS until after the full roll out of Universal Credit; and
- 24.5. Take no action and leave the services as they are.
25. DWP claim to have consulted with local government on the options for delivery, but in reality they have not undertaken any form of formal consultation exercise. They have kept local government *informed* of the proposals through a number of channels including the Government's Fraud Error and Debt programme board and groups that meet to discuss the welfare reforms. However, it is the view of the officers who attend these meetings that the concerns they have raised in these fora have not been given sufficient consideration, or been presented to Ministers.
26. DWP have also said that they feel that their recommendation is supported by evidence from the pilots, but these have not yet been formally evaluated.
27. Councils have raised a number of concerns with the LGA related to the proposal for a single organisation within DWP including:
- 27.1. Issues for staffing including TUPE arrangements for staff moving from the councils to SFIS and
- 27.2. Practical and legal complexities around joint Housing Benefit and Council Tax benefit fraud now that councils have responsibility for the latter.
28. These concerns were also raised by Sir Merrick Cockell in a recent discussion with Lord Freud. A draft letter from the Chairman to Lord Freud will be circulated at the meeting.
- 29. In light of the concerns outlined above Members are asked to indicate thier preferred option for delivery.**

Financial Implications

30. This is core LGA work and there are no additional financial implications.

Appendix A: DWP's proposed outcome measures for limited testing

Proposed Outcome Measures for Claimants with Complex Needs		
Category	Outcomes	<i>Examples of potential service/s supplied, underpinned by delivery agreement – to be agreed by the partnership at local level</i>
Making and managing a UC claim	An overall percentage improvement versus the baseline position in the number of claimants in the 'vulnerable' claimant categories (LSSF Annex C) requiring repeat appointments until the point at which they can confidently and successfully submit their own claim and manage their own changes in circumstances.	<ul style="list-style-type: none"> ▪ Training and development plan for partnership staff to enable them to identify claimants with complex needs requiring additional help, and appropriate and effective triage to any specialised support network identified – improved data sharing / communication. ▪ DWP and LAs working together to effectively help claimants with complex needs and enable them to move towards self-sufficiency. ▪ Effectiveness of referral process, staff trained sufficiently about UC to be able to support claimants – a single point of contact in each location. ▪ Digital upskilling initiative for claimants with complex needs – DWP and LAs to work together to share services to achieve shared goals.
Managing monthly payments	<p>1) An overall percentage improvement versus the baseline position in the number of repeat Alternative Payment Arrangements (APAs) recorded locally.</p> <p>(To investigate possibility of using IT system (eg CPS) to count number of APAs in place per LA, based on postcode)</p> <p>2) An overall percentage improvement versus the baseline position in the number of claimants paying their own rent directly to the landlord for a sustained period of time e.g. 6 months.</p>	<ul style="list-style-type: none"> ▪ A financial inclusion advice service / single journey or process which is timely. ▪ Monthly budgeting action planning service. ▪ Scope for locally agreed outcomes with local partner organisations, as well as national partner organisations eg MAS, to support this outcome eg: <ul style="list-style-type: none"> ○ increasing in the number of claimants who are able to complete and maintain a budgeting action plan relevant to their circumstances. ○ helping claimants get a transactional bank or Credit Union account (where previously they hadn't got one) to incentivise prevention of APAs.