

## **Welfare Reform Update**

### **Purpose of report**

For discussion.

### **Summary**

This report updates Members on the latest welfare reform developments, on issues including: local welfare assistance; the legal loophole in relation to removal of the spare room subsidy; Universal Credit and the Single Fraud Investigation Service.

### **Recommendation**

That the Finance Panel note progress and offer any further steer on the issues covered.

### **Action**

Officers to take forward in line with Members' direction.

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## **Welfare Reform Update**

### **Local welfare assistance**

1. The LGA has written to Eric Pickles MP to express its concerns about the removal of separately identified funding for Local Welfare Assistance from 2015-16 in the local government finance settlement (**Appendix A**). Local authorities fear that ending this grant in 2015-16 will jeopardise their ability to promote stability and resilience and provide timely support to vulnerable people at points of crisis.
2. The Government had promised to review the grant before coming to future decisions. They are still planning to undertake some form of review, but this is apparently in the early stages of development. The LGA will ensure that it is part of discussions to shape the Government's review, in particular its consultation with councils, and has proposed its own review of councils' local schemes.
3. The Department for Work and Pensions (DWP) have also proposed quarterly monitoring of the final year of the existing funding (2014/15). Sir Merrick has written to the department to express concerns about the additional burdens and uncertainty this approach would create; a constructive reply from the Minister has been received which officials will follow up (see **Appendix B**).

### **Housing**

#### Discretionary Housing Payments (DHP)

4. The Chancellor announced in the Autumn Statement that the Government will increase Discretionary Housing Payments (DHP) by £40 million in both 2014-15 and 2015-16. This is welcome.
5. The Government has acknowledged that additional DHP to support implementation of the welfare reforms will need to be in place for longer than originally planned.
6. Recent media reports about councils under-spending DHP do not take into account the phased implementation of the welfare reforms and the time lag between a person being impacted by welfare reform and turning to the council for help. A number of councils also drew their initial eligibility criteria quite tightly to gauge demand. It appears that the majority of councils have sensibly planned DHP allocations to manage demand throughout the year. It also appears to be the case that the current distribution does not accurately reflect the geography of demand.
7. Our arguments on distribution and prioritisation have been further strengthened by the results from an LGA survey, which show that 9 out of 10 responding councils said that DHP applications had increased greatly between April 2013 and November 2013. The vast majority of responding councils (88 per cent) are prioritising DHP to prevent homelessness. The survey also showed that the main driver of demand for DHP is the removal of the spare room subsidy.

8. This strengthens the LGA's arguments for greater freedoms to address affordable housing: the total lifting of the housing borrowing cap; flexible use of existing stock; retention of right-to-buy receipts, so that there are affordable and appropriately sized homes for people affected by the reforms to move to.
9. There is also a need for further discussion and agreement about the purpose of DHP going forward: for example is the intention that councils should put in place a long term DHP to enable someone to remain in a disability-adapted home?

#### Removal of the Spare Room Subsidy – legal loophole

10. It has come to light that due to housing regulations dating back to 1996, a number of working age tenants were technically ineligible for the removal of the spare room subsidy. The people affected have been in receipt of Housing Benefit for the same home since 1 January 1996 with no longer than a 4 week break.
11. The Department for Work and Pensions (DWP) estimates that 5,000 people are affected and has asked councils to identify them so that Housing Benefit can be refunded and people reassessed once the legislation has been amended. This is challenging because 1996 pre-dates electronic record keeping systems in most places and it is likely to take some considerable time to investigate and settle cases. Early indications from councils suggest the number of people affected may be considerably higher than the Government's initial estimates.
12. In a number of cases, councils will have paid out a DHP to cover the removal of the spare room subsidy. The LGA has asked DWP to meet councils' full costs, including administrative costs, of correcting the legal loophole including making it possible for them to recover DHPs, or by offsetting that expenditure against HB subsidy entitlements. The Government has agreed to meet administrative costs, but has so far resisted our request in relation to recovery of DHP, insisting that councils should bear the risk of any legal challenge, and suggesting that councils could simply offset overpaid DHP by reducing payments they would otherwise have made after the loophole is closed at the end of this financial year. We are continuing to press the point and Sir Merrick wrote to Lord Freud (the Minister for Welfare Reform) again on the 18 March. (Letter attached at **Appendix C**).
13. The regulations will be amended by the end of March 2014.

#### **Universal Credit (UC) Update**

##### UC programme progress

14. The DWP issued a further update of the Strategic Intent Document (SID) for UC. The LGA welcomed the updated version of the SID and noted that it addressed a number of the issues that had previously been raised. The updated version of the SID gives much clearer acknowledgement of the non-digital interaction which will be needed to deliver

UC. It also refers more directly to the need for DWP to work in partnership with local government to support vulnerable claimants.

15. As a result of direct lobbying, the LGA have been invited to sit on the UC Business Design Authority and the UC Operational Assurance Group to ensure direct input into the next phase of the programme.
16. DWP are currently preparing to rollout UC to the North West. A DWP event to update councils in the North West region is anticipated over the next few months.
17. The Partnership Forum met in February. Sir Robert Walmsley - the Chair of the UC Programme Board - attended. He highlighted some of the challenges and risks around delivery of the programme and the need to work closely with the Treasury during the expansion of the live service. He recognised the need for DWP and local authorities to work together closely in order to build some of the foundations needed to make UC work, and highlighted the positive links between the Partnership Forum and the Programme Board.

#### Local Support Services Trialling Plan

18. DWP are continuing to develop detail around the LSS Trialling Plan. It is anticipated that over the next few weeks further information will be available about how local authorities can apply to take part in the trialling process. The LGA will be closely involved in the assessment and selection process.
19. Sir Merrick and representatives of WLGA, COSLA and interested councils are taking part in a roundtable discussion with Lord Freud on 25 March to discuss this testing phase.

#### **Single Fraud Investigation Service (SFIS)**

20. The LGA continues to work closely with government on the establishment of SFIS. We are fully involved in the SFIS joint implementation working group, drawing upon a network of practitioners. Councils will still have a very strong interest in benefit fraud after the introduction of SFIS, because of the value to the public purse of catching multiple fraud. In discussions with government officials we have stressed the need for councils to retain the ability to combine prosecutions for different offences if there is more than one investigating authority. We are pressing for this to be a priority of the Joint Working Group.
21. The LGA welcomed the recent Department for Communities and Local Government (DCLG) announcement of £16.6 million from 2014/15 for councils to boost corporate fraud capacity. Through discussions with Baroness Stowell it has been possible to share some early thoughts around this funding and the need to focus on developing the anti-fraud hub model and improving recovery rates. We think there is a need to join-up the SFIS implementation conversation with the CLG fraud fund through regular political-level meetings.